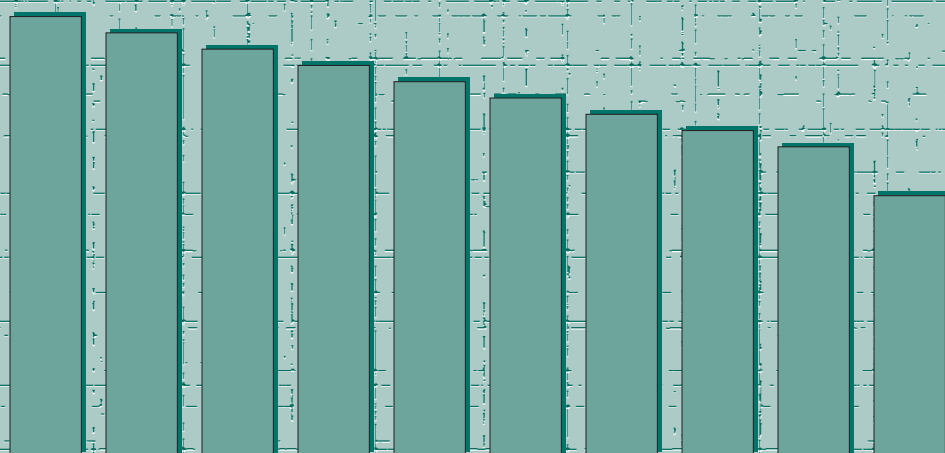


# AUDITING AND ACCOUNTING MANUAL



BENEVOLENT AND PROTECTIVE  
**ORDER OF ELKS**  
OF THE  
UNITED STATES OF AMERICA

# Grand Lodge Auditing and Accounting Committee Manual and Report Form Revisions, February 2016

The following revisions have been made to the **Annual Financial Report Form**:

*Transmittal Letter*: Deleted question asking if Records are maintained utilizing the Uniform Chart of Accounts. This has been move to the Guide For District Deputies Auditors Review Form.

*Page 2, Line 6*: Now reads “Building and Improvements”.

*Page 9*: Some insurance questions moved to Guide For District Deputy Auditors Review Form. Revised

*Page 9*: now requires entry of information regarding membership, dues, fees and salaries.

## **Auditing and Accounting Manual:**

Grammatical corrections made.

Headers added to Chart of Account for clarity.

*Section 9-105*: Revised to require Lodges that have performed an In House preparation for 3 years, to have the Annual Financial Report prepared by a licensed independent account the 4th year.

*Section 9-108*: Wording revised to clarify steps to be taken to complete Annual Financial Report and added the date the AFR is due to the Area Committee Member and the District Deputy.

*Page 28*: Account 15050 added-Building Improvements.

*Page 28*: Account 15200: Accumulated Depreciation Building and Improvements.

*Page 29*: Account numbers 28100 and 28200 deleted and replaced with 21800 Prepaid Dues and 21801 Prepaid Fees.

*Exhibit E*: Changes made to correspond with changes to Annual Financial Report forms.

*Exhibit G*: Changes to Guide for Review by DDGER Auditor. Trustees and Club Management-Insurance information which had been on Page 9 of the Annual Financial Report Forms are now listed on lines 37-40. Treasurer Review-line 78 Are the Lodge records maintained utilizing the uniform Chart of Accounts as required by Section 13.040?

*Warren Johnson*

*2015-16 Chairman*

*Grand Lodge Auditing and Accounting Committee*



**GRAND LODGE**  
*Benevolent and Protective*  
**ORDER OF ELKS**  
UNITED STATES OF AMERICA  
*A Fraternal Organization*

— **FOREWORD** —

Each Local Lodge enjoys local autonomy and freedom of action in managing its financial affairs, limited only by the Laws of the Order. It must be remembered that the Lodge enjoys the privilege of its existence only because it is chartered as an integral part of Grand Lodge, the parent organization. Every Officer and Member is obligated to obey the Statutes, rules and regulations of the Order.

This manual provides advice, guidance and assistance to Local Lodge Officers, and others concerned, in the practical application of the Laws of the Order to matters of auditing, accounting, bookkeeping and budgeting. The objectives of this advice and guidance include:

- To** encourage recognition of the fact that a Lodge is a business and that good business practices should be adopted.
- To** emphasize that effective financial management should provide sufficient profit for the Lodge to grow and meet its fraternal and charitable objectives.
- To** attain maximum uniformity in the application of the Laws of the Order and standardization of accounting and financial management practices.
- To** encourage Lodges to become knowledgeable of, and comply with, all Federal, State and local tax laws.

This manual has been prepared by the Grand Lodge Auditing and Accounting Committee, which is composed of eight members, one for each Area (*for administration purposes, the U.S. is divided into 8*

*geographical Areas, each consisting of several states*). This listing of Committee Members, and the Area assigned to each, is included in the annual publication "Grand Lodge and State Associations Directory" (Code 553800). The duties of each Committee Member include review of the Annual Financial Report of each Lodge within his Area and making recommendations to the Lodge. Careful study of this manual will assist the Lodge Officers and others to understand and act on such recommendations. It must be recognized that the users of this manual must possess basic accounting and financial knowledge. There is no intent to assume that members and staff using these guidelines will become qualified professionals in applying the acceptable standards of accounting. This manual is intended to apply to most situations unique to the preparation of consistent and factual Lodge Financial Statements. If the terminology used is foreign to the user, chances are that the end result of the required reports will be lacking in accuracy. Lodge leadership at all levels should insist on the use of computer-generated books. These systems generate automatic Journals, Ledgers, Departments and Budget Comparisons and Financial Statements.

Lodges operating under a State Corporate Charter must establish a Board of Directors as defined by G/L Statutes, Sec. 12.070 and 16.020. Where Trustees' duties are listed in this manual, the instructions also apply to the Directors. The manual will, of necessity, be revised from time-to-time. Revised pages will be identified by the date of the revision. You are encouraged to forward any comments or suggestions for improvements to the appropriate Area Member of the Grand Lodge Auditing and Accounting Committee.

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## ACCOUNTING AND BOOKKEEPING

**1-101. General:** Section 16.110 of the Statutes states that every Lodge shall keep records necessary to present clearly the receipts and accounts of the Secretary and Treasurer, and general financial and other transactions of the Lodge. Every Lodge needs an accounting system that will provide accurate financial reports to Lodge management and financial data required by taxing authorities and for the Annual Grand Lodge Financial Statements. If the Lodge is operating as a Corporation defined in Grand Lodge Statutes, Sections 12.070, 16.020 and 16.030, all duties referred to as Trustees' duties are now performed by the Corporation Board of Directors.

**1-102. Accounting Period:** In all but very small Lodges the accounting period should be monthly. Section 16.040 of the Statutes includes the statement: *“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.”* The source of data for this report should be the Lodge accounting system.

**1-103. Fiscal Year:** The fiscal year for every Lodge begins April 1 and ends March 31 as stated in Section 16.010 of the Statutes.

**1-104. Chart of Accounts:** Account numbers must be used to identify each receipt and disbursement for entry into the accounting system. As mandated by Sections 4.330 and 13.040 of the Statutes, the UNIFORM CHART OF ACCOUNTS set forth in the Appendix, Exhibit A, is to be used. Each Lodge must select from this listing the account numbers it will use.

**1-105. Accounting Method:** Each Lodge must adopt one of the following methods of accounting, **EXCEPT, for recording membership dues and fees revenue. See paragraph *d* below.**

**a. Accrual Method:** This method is recommended for all funds of all Lodges. The accrual method records income when a sale is made or when receipt becomes due. Expenses are recorded when the obligation is incurred. Inventory changes are given full consideration, fixed assets are capitalized, and indebtedness is recorded. This method most properly reflects results of operations each month.

**b. Modified Cash Method:** This hybrid method is adequate for Lodges with limited revenue, and financial management may be exercised without difficulty. Income is recorded when cash is received and expenses when paid during monthly accounting periods. Fixed assets are capitalized and indebtedness is recorded. At end of fiscal year a conversion to accrual method occurs by recording inventory changes, receivables, payables, accrued expenses, prepaid expenses and deferred income. This will properly reflect results of operations for the year, but not month-by-month.

**c. Cash Method:** This method is **not** recommended for any Lodge. Any Lodge desiring to use this method of accounting must obtain approval from its PGER State Sponsor.

**d. Dues and Fees Revenue:** Regardless of method used, each Elks Lodge should record member dues by the cash method unless received in a fiscal year prior to year to which they apply. Prepaid dues are recorded as deferred income. Fees are recorded as deferred income until the applicant has joined. The related accounting transactions are described in the Appendix, Exhibit A, for Account Nos. 28100 and 28200. (See also Section 1-111 of this manual)

**1-106. Bookkeeping System:** All Lodges must use a double entry bookkeeping system.

**a. Double-Entry System:** This system has built-in checks and balances to assure accuracy and control necessary when many transactions are involved. Journals and a General Ledger are used. Transactions are first entered in a journal which is totaled at end of month. These totals are then posted to General Ledger accounts for income, expenses, assets (cash and property that a Lodge owns), liabilities (debts), and net worth (excess of assets over liabilities). Each account in the General Ledger has a left side for debits and a right side for credits and a column for balance. It is self-balancing because every transaction is recorded as a debit entry in one account and a credit entry in another. After monthly summary, totals from the journals are posted to ledger accounts, the total of amounts entered as debits must equal the total of amounts entered as credits. If not in balance an error has been made and it must be found and corrected. At end of month, after all postings have been made, income and expense statements and the balance sheet are prepared using amounts shown for each ledger account, for year to date as well as for the month just past. At end of year, income and expense accounts are closed; asset, liability and net worth (equity) accounts are kept open on a permanent basis.

**1-107, 1-108, 1-109, 1-110:** Intentionally left blank.

**1-111. General Journal:** This is used to record journal entries (adjusting transactions) which must be posted to the General Ledger and which are not appropriate for recording in one of the other journals. The date of the adjustment, account to be debited and account to be credited, and an explanation of the adjustment are included. Unlike the other journals, where monthly totals are posted to the General Ledger, each entry in the General Journals is posted at the time to the General Ledger. The following are typical journal entries:

**Error Correction:** The necessary correcting adjustment when an error is found after posting to the General Ledger, such as an incorrect expense account number used in paying a bill.

**Depreciation:** Recording depreciation at end of year as described in Sec. 1-121.b of this manual. See Account Nos. 15200 and 15400, in Appendix, Exhibit A.

**Unearned Dues:** Debiting membership dues to deferred income Account No. 28100 and crediting income Account No. 30100 as described in the Appendix, Exhibit A.

**Unearned Fees:** Debiting deferred income Account No. 28200 and crediting income Account No. 30200, when a candidate becomes a member, as described in the Appendix, Exhibit A.

**1-112. General Ledger:** Controls all elements of the accounting system. These are divided into sections as follows:

Assets | Liabilities | Equity | Income | Expenses

The Income and Expenses sections are further departmentalized in a manner similar to:

Lodge | Bar | Food Services | Swimming Pool, etc. | Restricted Funds

Basic computerized accounting systems automatically provide most posting guidelines and carry the information forward to prepare needed financial statements.

The value of any accounting system is that all Income and all Expenses are posted to the intended accounts. This is acutely true where members' dues statements and payments of dues, fees, donations to Permanent and Temporary Restricted accounts are all in one payment.

**1-113. Basic Rules:** These basic rules should be understood by anyone operating a double-entry bookkeeping system:

**ASSETS = LIABILITIES + EQUITY.** All double-entry accounting is based on this equation. Like any mathematical equation its elements may be transposed and the equation expressed as: Assets – Liabilities = Equity.

**Asset Accounts:** Opening balances and normal balances are DEBITS  
Increases are recorded as DEBIT entries  
Decreases are recorded as CREDIT entries

**Liability and Equity Accounts:** Opening balances and normal balances are CREDITS  
Increases are recorded as CREDIT entries  
Decreases are recorded as DEBIT entries

**Income Accounts:** Normal balances are CREDITS  
Increases are recorded as CREDIT entries  
Decreases are recorded as DEBIT entries

**Expense Accounts:** Normal balances are DEBITS  
Increases are recorded as DEBIT entries  
Decreases are recorded as CREDIT entries

**1-114. Reports:** An accounting system would not be complete without procedures for preparation of financial progress reports. They are required by the Trustees and other entity managers for use in comparing actual revenue and expenses to budgeted amounts. Reports are required by the supervising or managing body of the club, social parlor or other facility for further reporting to the Lodge as required by Sec. 16.040 of the Statutes. A balance sheet and income statements are needed for the annual financial statements and the income tax returns. Monthly totals and/or balances for each account in the General Ledger provide the data for all such reports. Each Lodge should design reports necessary to meet its own particular needs.

**a. Balance Sheet:** Page 2 of the annual financial statement report is an example of a balance sheet. It must be “in balance,” i.e. assets must equal liabilities plus equity. A balance sheet is necessary at end of year but may be prepared more frequently. A computerized operation normally produces a balance sheet monthly.

**b. Income Statements:** These list income by account, expenses by account, and increase (decrease) in equity (profit/loss). Statements should be prepared for the Lodge, bar, dining room and other entities such as golf course, swimming pool, etc. Income Statements are necessary at end of year and should be prepared monthly to permit timely action by management in making adjustments in operations as needed to prevent year-end losses. It is highly desirable to include, in the statements, the budgeted amount for each income and expense account. The need to budget by the same accounts that are used in the General Ledger cannot be over-emphasized.

**1-115. Responsibility for Accounting System:** Financial resources are critical to the success of a Lodge, and accounting for these resources is important. In the interest of good business practices and ensuring effectiveness of the system, responsibility for managing it should be assigned to one individual Lodge Officer. This should be the Treasurer or, in some Lodges, the Secretary. Each Lodge should make the determination. Centralized responsibility is necessary whether bookkeeping functions are performed by an officer or employee, on a Lodge-owned computer, or by a computer service firm. No Lodge should deviate from the requirement of Sec. 12.050 of the Statutes that the Secretary receives all monies due the Lodge and pays them over to the Treasurer; and of Sec. 12.060 that the Treasurer pays all bills against the Lodge.

**1-116:** Accounting systems and services used are dependent upon the complexity of the business operation. No one method fits all needs.

**a. Employ a Bookkeeper:** The Lodge may wish to employ someone to perform the voluminous posting and report preparation tasks under the supervision of the responsible officer, either full-time or part-time.

**b. Lodge-Owned Computer:** This is a reasonable option for many Lodges. Investment in equipment and software is relatively small. There is potential for its use in other applications. There are several cautions, however. The Lodge must make sure that it will be able to obtain and retain qualified operators; action must be taken to prevent accidental loss of stored data that would be irreplaceable; and the Lodge should ensure that software obtained meets its needs and is not too elaborate.

**c. Using a Computer Service Firm:** This is a relatively inexpensive option. A survey of the local area will indicate which firms, if any, are available. It is suggested that any arrangement or contract for such service should include the following:

1. The input to be provided by Lodge. Usually, after initial start-up, a copy of each page of the Cash Receipts and Cash Disbursements Journals; a listing of General Journal entries; a form for adding or deleting account numbers; a form for adding or deleting employees; and a transmittal form.
2. The output to be provided which should include a printout of the balance sheet and income statements with budget comparison (if the Lodge has provided the budget input); the General Ledger reflecting opening balance, transactions for period and closing balance for each account; and a payroll register.
3. Elapsed time span between receipt of input and mailing reports.
4. Charges for service, often based on number of accounts and number of transactions, with certain minimums.

**1-117. Separate Sets of Books:** In some Lodges, such as those with a separate corporation (Sec. 16.030 of Statutes), it may be necessary to keep more than one set. This should be kept to a minimum because of the extra work required and increased cost of an annual financial statement.

Consider that the accounting system described in this manual permits accounting for income, expenses and budgeting for more than one entity by use of the separate series of accounts in the 60000, 70000, 80000 and 90000 series. Departments (Class if using Quick Books) are a required division of Income and Expenses where close financial analysis is required for Profit and Loss review. A separate set of books will be required if the separate corporation has a different fiscal year from the Lodge year of March 31. Lodges with approved separate corporations classified as IRS Sec. 501(c)(2) and 501(c)(3) FORM 1120 CORPORATIONS AND LLCs ARE REQUIRED TO MAINTAIN SEPARATE SETS OF BOOKS.

**1-118. Checking and Savings Accounts:** Sec. 12.060 of the Statutes requires that the Treasurer be custodian of all accounts and the Treasurer of all committees. Most Lodges will have less problems, fewer errors and less accounting costs if the number of checking accounts is kept to a minimum. The average Lodge should rarely need more than one checking account if it uses the Uniform Chart of Accounts properly. An exception to this is Permanent and Temporary Restricted Funds must have a separate bank account. Many Lodges will have more than one savings account, some unrestricted and some restricted. Withdrawals from savings accounts should never be used to pay bills directly. When funds in a savings account are needed to pay a bill, the money should first be withdrawn from the savings account and deposited in the checking account.



**1-119. Restricted Funds:** Defined by Grand Lodge Statutes Sections 1.165 & 16.011.

- a.* Funds or other property donated to, raised by, or allocated by a Lodge or related entity to be expended during a specified time or for a designated purpose, or both. Restricted Funds may be “temporary” if the restriction(s) will or could expire over a defined period of time, if the entity holding them is permitted to change or remove the restriction(s), or if the asset could be fully distributed for the defined purpose, or “permanent” if the purpose and time are designated or otherwise considered to be perpetual or the principal is to be held intact.
- b.* Use of restricted funds by a Lodge shall be governed by the following provisions:
  - 1.* A Lodge which holds Restricted Funds because of donor designation shall not expend, borrow from, or borrow against any such property for a purpose or during a period other than that designated without authorization of the donor, or pursuant to an order from a court of competent jurisdiction.
  - 2.* Shall not expend, borrow from, or borrow against any such property for a purpose or during a period other than that designated without the written authorization of the State Sponsor, and two-third (2/3rds) approval by the Members present at a regular Lodge meeting following a minimum ten (10) day notice to all Members. Any such expenditure shall also be in compliance with all State and Federal Laws.
- c.* Lodges who receive unrestricted donor grants may choose to place these funds in the Restricted Funds Accounts for future approved lodge uses. It requires a vote of the lodge Members to establish these accounts and a similar vote be obtained to expend the funds or re-designate their purpose. Lodge-designated restricted funds can likewise be re-designated as General Funds with the approval of the Members.
- d.* The Chart of Accounts is designed to account for all Restricted Fund transactions. The 90000 series of accounts is designed to record all income and expenditures. These accounts will be closed at the end of the fiscal year by off-setting debits and credit to the appropriate 29000 Equity Accounts.

**1-120. Petty Cash or Imprest Funds:** With approval of the Lodge it is proper to establish such a fund as an advance to a member or employee of the Lodge to enable him to perform his duties. Such a fund is appropriate for a Club-type entity of Lodges located in governmental jurisdictions that require cash payment on delivery of certain alcoholic beverages. When the amounts involved are not small, or “petty,” the fund is normally known as an Imprest Fund. If a Lodge needs to establish such a fund, it is suggested that a resolution be passed on the floor of the Lodge that specifies the following:

- a.* Maximum authorized amount of the fund.
- b.* Person who will operate the fund and who will be held responsible for either the cash advanced or receipts for purchases made.
- c.* Kind of purchases authorized, as well as those prohibited, in specific terms. Purchase of fixed assets should never be permitted.
- d.* Authorization for Treasurer to issue a check to the operator so that he may implement the fund; the requirement that, as purchases are made and the cash depleted, the operator submit a voucher to the Treasurer with properly receipted bills attached and authorization for Treasurer to issue a check to the operator for total amount of bills attached to replenish the fund.
- e.* Requirement that the fund be closed out at end of fiscal year by turning in to Treasurer the remaining receipted bills and balance of cash on hand. In turn, authorize Treasurer to re-establish the fund on first day of new fiscal year.
- f.* The use of the Petty Cash Fund to circumvent the filing of required IRS 1099 Forms is prohibited.

**g.** The use of Cash from the gross proceeds of an event is a prohibited accounting method.

This procedure permits proper accounting for expenses involved and provides the required audit trail. A club supervising or managing body may have its own checking account for paying bills in accordance with Sec. 12.060(f). Pre-signed blank checks should never be authorized.

**1-121. Fixed Assets and Depreciation:** Fixed assets include land, buildings and furniture, fixtures and equipment. These assets are “long-lived,” i.e., they have a useful life beyond the year of purchase. They should be recorded on the books at cost. The recorded cost should include all normal and reasonable expenditures, such as freight, tax and installation, necessary to get the asset in place ready for use. Fixed assets donated to the Lodge should be recorded at fair market value, debiting the fixed asset account and crediting the Donations Account in the 30000 series of accounts.

**a. Capitalizing Fixed Asset Purchases:** Purchases should be capitalized by debiting the appropriate fixed asset account rather than debiting an expense account. Charging such purchases to expense would significantly distort operating costs for the period involved. Such purchases are not operating costs, but investments in assets that will be used over a period of time. Judgment must be used in determining what will be capitalized. Additions and alterations to buildings which increase their usefulness or extend their useful lives should be capitalized, but not normal repairs and maintenance. It is suggested that each Lodge should establish a minimum dollar value for items of furniture, fixtures and equipment to be capitalized.

**b. Depreciation:** Land is never depreciated. Other fixed assets wear out or depreciate through use and passage of time. They are commonly shown on the balance sheet as cost less accumulated depreciation. Accumulated depreciation is the share of each asset’s cost that has been charged off to depreciation expense, or the amount the asset has been depreciated from time of purchase to balance sheet date. Recording depreciation is a process of allocating and charging, as expense, the cost of usefulness of an asset to accounting periods that benefit from the asset’s use. There are various methods of depreciating assets. A Lodge should always seek the help of a qualified professional accountant when initially setting up a depreciation schedule and computing depreciation. Once established, the depreciation schedule must be kept current by adding purchases and deleting items sold, traded, lost or scrapped. At end of year total depreciation should be computed and charged as an expense of operations. This does not, of course, require the outlay of cash. Normal bookkeeping entries are a debit to depreciation expense (Account Nos. 39901, 49901, 59901, etc.) and a credit to allowance for depreciation (Account Nos. 15200, 15400 & 15600).

**All Lodges must depreciate fixed assets in accordance with generally accepted accounting principles.** Depreciation is mandatory — not optional.

**c. Record of Fixed Assets:** Each Lodge should maintain a permanent record of each fixed asset to include:

- Description
- Location
- Date of Purchase
- Cost
- Estimated Life
- Accumulated Depreciation
- Annual Depreciation and Method

In a computerized system all of this information would be loaded into the computer with changes made as they occur. A printout would be required as of March 31 for use in the annual audit process.

**d. Annual Inventory:** Such real and personal property is under the control of the Trustees as specified in Sec. 12.070 of the Statutes. Under their supervision a physical count and verification should be made annually. Shortages should be investigated and the books adjusted accordingly.

**1-122. Member Notes or Bonds:** Occasionally a Lodge will borrow money from members and issue notes or bonds as security. The Lodge should maintain accurate and complete records of all such liabilities. An ongoing record should be kept to reflect the following:

- Note or bond holder's name and Social Security Number
- Amount of the note or bond
- Date due for redemption
- Rate of interest
- Date and amount of each interest payment

The Internal Revenue Service requires that each such interest payment of \$10 or more in a calendar year be reported on an information return, Form 1099-INT as stated in Sec. 5-108 of this manual.

**1-123. Record of Investments:** Sec. 12.070 of the Statutes assigns to the Trustees responsibility for keeping this record. The investments represent assets of the Lodge and any action taken by the Trustees must be coordinated with the Treasurer to ensure proper entry in the books of account. It is suggested that the Trustees and the Treasurer periodically reconcile their records. It is not the intent of this manual to direct the methods of investing excess funds. Strong oversight controls must be established to anticipate market risks and ensure that the investments are truly in the best interest of the Lodge. It is mandatory that Restricted Funds are maintained in separate identifiable accounts to ensure that each fund can be accessed when necessary for distribution without compromising the entire investment portfolio. Each portfolio should be reviewed annually to ensure that signature control is updated with the current elected officers.

**a. Sales Tax:** When a Lodge collects state or local sales tax on sales of food, beverages, etc., normally it is acting as trustee for the applicable taxing authority. The money collected is not "income" but is merely held in trust for later payment to the tax authorities. In some states the Lodge is permitted to retain a percentage of the tax as a commission for its expense of collecting and paying the tax. Proper bookkeeping entries are:

- Sales tax collected: Debit 10200; Credit 20900
- Payment of sales tax: Debit 20900; Credit 10200

**b. Inventory Variance:** The last prior inventory of liquor, food and supplies, etc. on hand would have been recorded on the books in an asset account 10801, 10802 or 10803. The dollar amount of the new inventory will be different. Journal entries should be made to adjust for this variance, as follows:

- New inventory less than prior inventory: Credit appropriate account in the 10800 series; debit an inventory variance account such as 41400 or 51400
- New inventory more than prior inventory: Debit appropriate account in the 10800 series; credit appropriate inventory variance account

**c. Returned Checks:** Occasionally a check that has been deposited will be returned by the bank as uncollectible. The returned check should be deducted (credited) to cash account originally recorded in and deducted (debited) from the income account originally charged. When a new check is received it is treated as a new receipt.

**d. Prepaid Expenses:** These are expenses such as insurance, real estate taxes, etc., that cover a period extending beyond the current accounting period. At time of payment Lodges using accrual method of accounting, debit the appropriate account in the 10900 series then make monthly (or quarterly) journal entries crediting this account and debiting the appropriate expense account. Lodges using the modified cash method of accounting should (1) at time bill is paid debit current year's portion to proper expense account; (2) debit portion that applies to following year to appropriate account in the 10900 series; and (3) in April of new year credit portion that applies to new year to appropriate 10900 account and debit appropriate expense account.

**1-124. Marketable Securities (Not Including Insurance):** Under notes to “Financial Statements,” Independent Accountants are to set forth the components of Marketable Securities, and their actual cost and market value at the end of the year; and a comparison to the previous year. The accountant is to reflect the Market Value in the Annual Financial Statement (issued as of March 31). The financial statements should reflect unrealized gains and (losses).

## — CHAPTER 2 —

### INTERNAL CONTROLS

**2-101. General:** Each Lodge needs a system of internal controls to protect assets from waste, fraud and theft and to ensure accurate and reliable accounting data. Some controls are mandated by Laws of the Order and By-Laws of the Lodge. Additional controls needed are determined by the volume of business, complexity of Lodge organization and number of employees available. It is not feasible to provide one simple set of internal controls for all Lodges. Each Lodge should design its own system. The cost of controls should always be justified by benefits to be derived. The number of employees between which responsibilities can be divided will generally be a factor.

The following controls should always be included:

- a.* Procedures for using vouchers to authorize payment of bills against the Lodge, to include:
  - 1.* Voucher form to be used, as designed by the Lodge.
  - 2.* Who prepares the voucher and attaches it to the bill (normally the Secretary).
  - 3.* Who approves the voucher, invoice or bill to verify receipt of material; to verify price billed against price quoted, to indicate committee approval, etc. Normally, the Secretary will prepare the voucher which is then approved by the Secretary and Exalted Ruler. Any Lodge may require that all vouchers / bills be reviewed and approved by the Trustees to ensure compliance with the budget. After all prior approvals are obtained, the Secretary reads the bills at a regular session of the Lodge under the order of business — “Bills Against the Lodge.” After Lodge approval, the Secretary will present the bills to the Treasurer for payment (Reference Sec. 12.060 of the Statutes).
- b.* Procedures for authorizing payment of employees. A time clock, with individual time cards, is preferred for a large number of employees. Otherwise a time sheet or book with the supervisor’s signature of approval for each pay period should be used. Treasurer should ensure that pay rates for new-hires and any pay changes are properly authorized, preferably by actual record in minutes of meetings of the supervising or managing body of the club or other entity.
- c.* Procedures for receipt of merchandise and supplies. Quality, weight and count should be checked. Delivery men should not be permitted to place merchandise in the storeroom without careful check. It is appropriate to limit the number of individuals who are authorized to sign for deliveries.
- d.* Treasurer, Bar Manager, Food Manager, should never be involved with inventory or receiving.
- e.* A receipt book for the Lodge may be kept in the club room so that members may pay dues during hours Lodge office is closed. The money and name of member paying dues should be given to Secretary promptly. Members should be encouraged to pay dues by check.
- f.* Person originally receipting for cash should not be involved in depositing or recording receipts.
- g.* Secretary’s receipts should be reconciled with Treasurer’s receipts each month. Delay increases difficulty in identifying discrepancies.
- h.* Bank statements should be obtained from the depository monthly. Statements for checking accounts should bear a closing date of last day of month wherever possible. All bank statements must be reconciled monthly and necessary corrections entered.

- i.* Bank deposits should be made promptly, daily if possible. Deposits are to be made by the Treasurer or another person as long as that person is covered by the Lodge insurance bond.
- j.* Cash kept in Lodge overnight should be stored in safes with combination locks that meet requirements of the casualty insurer.
- k.* Lodge assets should be covered by adequate casualty insurance, and personnel who handle cash should be bonded. Sections 12.050 and 12.060 of the Statutes specify the minimum bond required for the Secretary and the Treasurer. Lodge should determine amount of bond to be carried for each person involved.

**2-102. Controls Applicable to Club Operations:** Consideration should be given to the following when establishing the internal controls for the bar, food service, golf course, pool and similar club-type operations. See Appendix, Exhibit F.

- a.* Good business practice requires that management pay close attention to the COST OF SALES RATIO for the bar and food service. When ratios exceed the guidelines given below, management should review existing practices on over-pouring, spillage, waste, pricing policies, purchasing functions, inventory control, etc. Improvements should be implemented and selling prices should be increased where necessary. It is just good common sense that the club should make sufficient gross profit to support itself.

**1. COST OF GOODS SOLD SHOULD NOT EXCEED 35% OF SALES.** Ratio determined by the formula: Cost of sales divided by sales = ratio.

**2. EMPLOYEE EXPENSES SHOULD NOT EXCEED 35% OF SALES.** Ratio determined by the formula: Total salaries and wages + employee meals + payroll taxes and benefits divided by sales = ratio.

**3. ENTERTAINMENT COST SHOULD NOT EXCEED 6% OF SALES.** Ratio determined by the formula: Total entertainment cost of bar and/or dining area (depending upon whether one or both receive benefit) divided by sales = ratio.

It is emphasized that these ratios are maximums. Individual Lodges, depending upon volume of sales and other circumstances, may wish to establish their own goals at less than these maximums.

- b.* Use recording cash registers with sufficient flexibility to record all sales by product and other miscellaneous cash receipts. A numbered continuous tape should be locked within each cash register while it is in use.
- c.* It is suggested that cash registers be equipped with additional tape to permit giving the customer a cash register receipt, together with his change, immediately upon being served.
- d.* Food Service sales checks should be pre-numbered in sequential order and accounted for daily. Missing sales checks should be investigated by the supervisor.
- e.* Separate cash drawers should be provided for each individual handling cash receipts.
- f.* Access to the tape locked in the cash register should be limited to an individual, other than the bartender or cashier, who should count the cash, balance against tape totals, and prepare the daily summary of receipts.
- g.* There should be an established policy for action to be taken on cash shortages / overages.
- h.* Persons responsible for inventory should not be involved with sales.
- i.* Inventory of merchandise for resale should be taken monthly or quarterly and, as a minimum, at end of year, March 31.

- j. A member of the Auditing & Accounting Committee, an Officer, or member of the Club Management Committee, should supervise taking the inventory and spot check pricing and extending.

## — CHAPTER 3 —

### DISTRIBUTING OVERHEAD COSTS

**3-101. Purpose:** Lodges need to distribute overhead costs to each Department (Class if using Quick Books) in order to obtain a truer and more meaningful cost of operation for each. Knowledge of such total cost of operations should have an impact on management decisions. The practice of charging only direct costs and operating expenses to such entities as the club, and charging the overhead or indirect costs as Lodge expenses, is misleading and at times works to the detriment of Lodge interests. For example, in some governmental jurisdictions, bingo profits must be spent for specific purposes, such as charity. Overhead costs should be considered as expenses when determining profit.

**3-102. Overhead Costs:** These are costs incurred for the benefit of all departments and activities and cannot be assigned directly to any one department. These costs should be allocated to each department by percentage of use or other standard method. Overhead costs normally include, but are not limited to, the following:

- Accounting and Legal Expenses
- Depreciation
- Insurance
- Interest on Mortgage and Bonds
- Janitorial Expenses
- Pay of Secretary and Treasurer
- Repair and Maintenance of Building and Grounds
- Utilities

**3-103. Prorating Overhead Costs:** Lodges are encouraged to develop a method of assigning to each Department (Class if using Quick Books) a proportionate share of the total overhead costs. The method used may be based on building space and hours used, as a percentage of total; or on business revenue of each, as a percentage of total. The method used should be reasonable and understandable to members. The prorated share may be determined in advance and charged to each entity as “Intra-Lodge Rent.” Such rent would be included in the budget as income for the Lodge and as expense for the particular entities or major activities.

## — CHAPTER 4 —

### THE BUDGET PROCESS

**4-101. Definition:** The budget process is that phase of accounting dealing with planning the activities of a Lodge in financial terms and comparing actual progress with the plan. It is a management tool that is most effective when actual revenue and expenses are compared to the budgeted amounts periodically, during the year, and management decisions are made to adjust operations as needed. This enables the Lodge to manage its operations to attain a profit sufficient to finance the Lodge’s fraternal and charitable objectives, to provide for growth and prevent year-end losses.

**4-102. Statutory Requirements:** A budget is required for every entity of the Lodge (including Restricted Fund Activities) as expressed in Sections 12.070 (Lodge), 16.020 (separate corporation) and 16.030 (Club and other facilities). These Statutes also require that each entity report to the Lodge monthly their actual progress as compared to the budget. Budgets must be presented to the Lodge for approval no later than the final regular meeting of the Lodge in April.

**4-103. Preparation of the Budget:** The initial action should be the Exalted Ruler-elect requesting from each of his committee chairmen their best estimate of fund-raising income and a detailed estimate of their expenses. The Secretary, Treasurer and Trustees should commence early to assemble estimates of those budget line items that do not require prior year actual data, such as dues and fees income, mortgage principal, interest expense, insurance, etc. With an effective accounting system, where postings are kept current, the General Ledger should provide actual income and expense data for the prior year within a short time after March 31. The Trustees and other entity managers convene a budget meeting or series of meetings and develop the best available estimates, giving consideration to the Exalted Ruler's plans, the committee estimates and prior year experience. The following should be considered:

1. Prepare worksheets in advance. Computerized accounting can provide budget formats that eliminate many manual efforts.
2. Budgets must use the same Account Numbers that are used to record income and expenses.
3. Prepare income section first on the theory that you should not spend more than you expect to receive. Be realistic and conservative.
4. When preparing the expense sections, estimate fixed and semi-fixed expenses first, i.e., those over which the Lodge has little or no control.
5. Prepare separate schedules where more detail is desired, such as a detailed list of charity donations to be made.
6. When budgeting for activities which generate income, such as bingo or fund-raising events, always budget gross receipts and expenses, never the net income.
7. Do not overlook capital items which are not "expenses," such as purchase of equipment, mortgage principal, bond redemption, etc.
8. Budget may include an amount for contingent purposes to cover unforeseen emergencies.
9. It is never good business practice to prepare a deficit budget. Keep expenses within the limits of anticipated income.
10. It is advisable that the Trustees coordinate the various budgets to prevent overlapping and duplication.

**4-104. Operating Within the Budget:** Sec. 12.070 of the Statutes clearly states that after the budget has been adopted, all expenditures must be kept within the limits of appropriations made and specifies action to be taken when proposals are made for an expenditure in excess of the budget or an expenditure requiring use of any amount budgeted for contingencies. The following guides should be used in interpreting these strict statutory requirements:

1. Line items budgeted for operating expenses are estimates. It is to be expected that actual expenditures will exceed or fall short of the estimates on specific items. When expenses exceed approved budgets, G/L Statutes Sec. 12.070 must be followed.
2. Binding contracts and major expenditures of an unusual nature, such as purchase of major equipment or major repairs, even if included in the budget, should be submitted to the Lodge for approval after receipt of proposals and estimates from the vendor. Trustees should make appropriate recommendations.
3. The supervising or managing body of club or other entities should be authorized to make purchases in support of day-to-day operations but should not enter binding contracts extending over a period of time, or purchase major items of equipment, without prior approval of the Lodge.

4. Approval of expenditures which exceed the total amount budgeted must specify the source of funds. If savings are to be used the Trustees should so indicate in their recommendation.
5. Amendment of a budget requires Lodge approval but does not require re-submission of a new budget.

**4-105. Periodic Budget Reviews:** This is a most important phase of the budget process. The Trustees, the club supervising or managing body, and other entity managers should give this high priority on the agenda of their meetings, monthly or quarterly. Regular reports from the accounting system providing actual revenue and expenses to date are required. Comparing this actual progress to the budget will point up variances of material amounts that require action or further investigation. It is important that management decisions be made at this time to adjust for shortfalls in income or excess expenses, such as implementing conservation measures, eliminating non-productive hours of club operation, reducing labor costs, raising selling prices, etc., in order to prevent a loss at the end of the year.

**4-106. Financial Operations:** It is of extreme importance that the members recognize each entity of the Lodge is to be financially self-sufficient adhering to its own budget, understanding that the funds from the Lodge are NOT to be used to maintain, or support, any other entity of the Lodge, such as the Club (Bar and Food Service), Swimming Pool, Bingo, Tear Tickets, Corporation, etc.

The only exception to the above will pertain to the institution of an entity wherein a cash advance is required; however, in this case the funds transferred from the Lodge will only be considered as a “LOAN” and are to be returned to the Lodge as soon as possible.

**4-107. Capital Budget:** All Lodges should develop a long-term replacement and improvements budget. Funding should come from retained profits and Lodge-designated Temporary Restricted Funds. Special savings accounts or investment accounts should be maintained to fund these projects, and by-law provisions should be enacted to preserve the intent of the funds.

## — CHAPTER 5 —

### TAXES AND TAX RETURNS

**5-101. General:** This Chapter is **not** intended to provide complete and comprehensive advice on payment of Federal, State and local taxes or filing of all tax returns. Rather, it is intended to provide a guide with suggestions and ideas to help Lodges ensure compliance with the tax laws. Lodges must be careful to maintain a reputation of being a law-abiding organization and not act to jeopardize our income tax exemption.

**5-102. Expert Advice:** The most effective way for a Lodge to stay out of trouble with taxing authorities is to seek advice from a tax professional. Do this when you have questions or are in doubt. At the time of the annual reporting ask the professional to review your practices for compliance with tax laws and regulations. It is suggested that the Secretary and Treasurer keep up-to-date in this area, maintain a file of pertinent publications, and be the point of contact for questions that arise.

**5-103. Obtaining Publications:** Internal Revenue Service publications and forms may be obtained from the IRS Forms Distribution Center for your area. Also, they may be obtained on the Internet by accessing [irs.gov/forms](http://irs.gov/forms). State and local publications should be obtained from the State income tax or sales tax office website and the local alcoholic beverage websites, as well as your local gaming website.



**5-104. Payroll Taxes:** Every Lodge that has employees must use IRS Publication #15, Circular E, “Employer’s Tax Guide,” which contains tax withholding tables and instructions for withholding, paying taxes, rendering returns and record keeping. Additional pertinent instructions are contained in IRS Publication #937, “Business Reporting, Employment Taxes, and Information Returns.” Taxes must be paid and returns filed within specified due dates to avoid serious penalties and interest. Following are errors most frequently noted by the accountant:

1. Failure to withhold and pay income, social security and medicare taxes for part-time employees, “casual labor,” “outside labor,” “extra help,” etc. Regardless of what the Lodge may call this expense the taxes must be paid whether the employee works full- or part-time.
2. Failure to withhold and pay such taxes for the Secretary and Treasurer who are officers receiving compensation and failure to recognize that these positions are subject to Federal and State minimum wage and overtime rules.
3. Failure to require employees to report tips of \$20 or more in a month and failure to withhold and pay taxes on tips.
4. Failure to pay Federal Unemployment Tax (FUTA) and State unemployment taxes on a timely basis.
5. Failure to recognize that volunteers receiving more than \$30.00 a month in Tips or Gratuities are employees under the U.S. Fair Labor Standards Act.

**5-105. Federal Income Tax Returns:** It is advisable to have returns prepared by experienced professionals. Following is a brief of filing requirements:

- a. Filing Required:** A Lodge that normally has annual gross receipts of \$50,000 or less is required to file form 990N and may be required to file Form 990T. Gross receipts are the total amount received from all sources during the year without subtracting any costs or expenses.
- b. Form 990 or 990EZ:** All other Lodges are required to file one of these returns by August 15 each year. Form 990EZ, the short form, may be used when gross receipts are less than \$100,000 and total assets are less than \$250,000 at end of year. Returns should be prepared at time of annual report and forwarded with the Annual Financial Statement. If a return is filed late the Lodge could be assessed a penalty of \$10 a day, not to exceed the less of \$5,000 or 5% of the gross receipts. There are provisions for requesting an extension of time to file using IRS Form 2758.

The following frequently-noted errors should be given special attention on Tax Form 990:

1. The accountants are failing to enter the proper information on Page 1 line Hc, our Group Exemption number 1156. Lines 3 & 4 should list the number of members of your Governing Body or Board of Directors, not the Total Membership. Line 5 should indicate the number of Members working as volunteers on charitable efforts, Page 6 line 1a and 1b should show the number of the Board of Directors-same number as on page 1 lines 3 & 4. Page 7 and 8 should list all Officers and key personnel and any compensation they received during the Accounting year.
2. When listing Lodge officers in the return include all officers, whether they receive compensation or not. If the Lodge is incorporated under State Law and in accordance with G/L Statutes, Sec. 16.020 & 16.030, also check the column for the Corporate Board Members on the required 990 Forms.
3. On front of Form 990/990EZ indicate that the Lodge is exempt under 501(c)(8); indicate that it is a separate return filed by a group affiliate; and enter Group Exemption No. 1156.

**c. Form 990T:** This return must be filed by each Lodge that has gross income from an unrelated trade or business. An unrelated trade or business is any trade or business that is regularly carried on, and that is not substantially related to the exempt purposes of the Lodge, other than the need for funds. Gross income is gross receipts less cost of goods sold and/or operations. Unrelated business income must be included in Form 990/990EZ. Lodges should obtain IRS Publication #598, “Tax on Unrelated Business Income of Exempt Organizations” as an aid in understanding what is, and what is not, unrelated business income. Typical examples of such income are rental of debt-financed property (property subject to a mortgage), and regularly operating a commercial parking lot. Although catering events that are open to other than Elks and guests has previously involved unrelated business income for many Lodges, compliance with the provisions of Section 14.130 of the Statutes will eliminate most of this. It is a very dangerous practice to list 100% of Club Revenue as Unrelated Business Income. This indicates that your doors are open to the Public.

**5-106. Employer Identification Number:** Each Lodge must have an EIN. This is a nine digit number arranged as follows: 00-0000000, see IRS Publication #15, Circular E. The correct number **MUST** be used on all returns and other documents, and use only one number for the Lodge. A separate corporation **MUST** have a separate EIN and would use that number on their returns.

**5-107. Exemption from Federal Income Tax:** Grand Lodge has been issued a group exemption number 1156 for all Lodges under Section 501(c)(8) of the Internal Revenue Code. The basis for this exemption is that our exempt purposes are charitable and fraternal as expressed in the Preamble to our Constitution and that our Order provides tax-qualifying benefits to Lodge members. Lodges should always act to preserve this important exemption. Any question raised by an IRS agent concerning the Grand Lodge group exemption must be referred to Grand Lodge officials for response, and therefore must be promptly referred to the Sponsoring Past Grand Exalted Ruler.

Grand Lodge is required to furnish the IRS each year with a list of additions to, and deletions from, the list of Lodges included in the exemption. Therefore, Grand Lodge must have accurate information on correct EIN numbers. This is updated each year from the Directory Information Forms that Lodge Secretaries must furnish to Grand Lodge. **The Secretary must ensure that the EIN for the Lodge is entered correctly each year.**

**5-108. Information Returns:** Most Lodges are required to file one or more of these returns each calendar year. Instructions are contained in IRS Publication #937, “Business Reporting, Employment Taxes and Information Returns.” Quite frequently during an accountant’s examination of a Lodge he will refer to errors of omission in this regard. Some returns most frequently involved are:

1. Payment of interest of \$10 or more to holders of member bonds or notes — IRS Form 1099-INT.
2. Payment of \$600 or more for nonemployee compensation, such as accountants, attorneys, bands, etc. — IRS Form 1099-MISC.
3. Payment of \$600 or more in winnings from raffles or drawings — IRS Form W-2G.
4. Payment of \$1,200 or more in winnings from bingo, slot machines and other legal games of chance — IRS Form W-2G.

**5-109. State and Local Income Tax Returns:** Each Lodge should consult its accountant, tax attorney or appropriate local officials to determine what returns are required. In some states, if the Lodge pays income tax on unrelated business income, it is also required to pay state income tax and provide a copy of the IRS Form 990T.

**5-110. State and Local Sales Taxes:** It is the responsibility of the Lodge to know and comply with the requirements for collection and payment of such taxes and rendering required returns. Generally, a Lodge can obtain a copy of the law and regulations by contacting the appropriate taxing authority.

## — CHAPTER 6 —

### FUND-RAISING COMMITTEES

**6-101. Types of Committees:** This advice and guidance applies to committees that are involved in fund-raising, excluding the House Committee or other supervising or managing body. Included are standing committees that raise funds for charitable purposes and special committees appointed for special purposes or one-time events such as a Charity Ball. Ensure that all Charitable Activities record their financial data using the 90000 Series of Accounts.

**6-102. Planning:** The need for advance planning for any event cannot be over-emphasized. It is important that no event be scheduled unless there is reasonable assurance that a profit will be realized. A plan must be presented to the Lodge for approval and support in advance. If the event is not included in the budget and an advance (loan) is required for incidental cash expenses, this should be approved by the Lodge.

**6-103. Catered Events:** A catered event for a member and their guests likewise needs advance planning. These may be arranged by the supervising or managing body of the club or by a special committee appointed by the Exalted Ruler. The event should be preceded by firm arrangements and agreement with the sponsoring member as to nature of event, menu, price to be charged including sales tax, timing and method of payment, and any minimum number of attendees to be paid for. It is important that no payment for food, beverages, etc. be accepted from anyone other than the sponsoring member. (See Sec. 14.130 of the Statutes)

**6-104. Accounting for Income and Expenses:** Policies and procedures should be established requiring that each committee account for all gross receipts and expenses in accord with the following:

- a.* Lodge Treasurer is required to serve as Treasurer of all committees as outlined in Sec. 12.060 of the Statutes.
- b.* Gross receipts should be turned in to the Secretary to be accounted for on Lodge books as required by Sec. 12.050 of the Statutes.
- c.* Sale of admission or raffle tickets should be controlled by pre-numbering and accounting for any missing tickets.
- d.* Expenses should be supported by invoices, bills or cash register receipts. Cash payments should be kept to a minimum and should never be paid out of the cash receipts. A caterer, musicians, etc., should always be paid by the Lodge Treasurer by check.
- e.* When using food, beverages, paper and plastic supplies previously purchased by the club, the necessary accounting adjustments should be made to reflect this as a committee expense and not a club expense. (See Sec. 1-111 of this manual)
- f.* The committee chairman should submit a final report of Income and Expenses as well as special circumstances that caused planning changes during the event.
- g.* Sales Tax is of particular problem in some states. Make sure that your event tickets properly identify the taxable portion of the ticket sale or you may have to pay Sales Tax on the whole amount collected.

**6-105. Final Action by Committee Chairman:** The committee chairman must report results of the event to the Lodge at a regular meeting. It is suggested that he prepare a brief narrative after-action report for the benefit of future committee chairmen holding a similar event.

## — CHAPTER 7 —

### RECORDS RETENTION

**7-101. Who Should Retain Records:** Based on Sec. 16.100 of the Statutes, an important responsibility of the Secretary is to retain files and records as long as they may be needed. The Internal Revenue Service specifies minimum retention periods for certain records.

**7-102. Payroll Records:** IRS Publication #15, Circular E, specifies that payroll records must be retained for four (4) years and lists the specific records included.

**7-103. Income Tax Returns and Supporting Records:** As stated in IRS Publication #583, “Taxpayers Starting a Business,” such records must be kept as long as they may be needed for administration of any provision of the Internal Revenue Code. Keep records that support entries on these returns until the statute of limitations runs out, as a minimum. This is usually three (3) years after the return is due or filed. Such records should include a copy of each return. As stated in the IRS Instructions for Forms 990 and 990EZ, a copy of each of these returns must be kept for three (3) years for public inspection upon request. **Caution:** Some states require a longer records retention period.

**7-104. Permanent Records:** Records of deeds, mortgages, member bonds, purchases of fixed assets and depreciation records should be kept indefinitely, the same as for membership records.

## — CHAPTER 8 —

### INTERNAL AUDITING

**8-101. Purpose:** A Lodge may have a complete accounting system, good procedures for accounting reports and excellent internal controls. But, the system would not necessarily work well unless someone checks records prepared and maintained in each area or entity to make sure that established procedures and policies are adhered to. This is the job for internal auditors.

**8-102. Auditing & Accounting Committee Reviews:** Section 13.040(i) of the Statutes sets forth the requirement for three reviews yearly during the months of July, October and January. If the Auditing & Accounting Committee is conscientious and carries out its duties responsibly, the Lodge will have much greater assurance that it is complying with the Statutes and tax laws; that accounting data is reliable and that the budget process is being used properly to manage the financial affairs of the Lodge. G/L Statutes Sec. 13.040(k) prohibit the assigning of the Secretary, Treasurer, Lodge Officers, Board of Trustees, Board of Directors and members of the management Club to the Audit Committee. The Audit Committee does not report to the Lodge Trustees or Board of Directors. Again, G/L Statutes Sec. 13.040 mandates the duties and responsibilities to the Lodge Auditing & Accounting Committee.

**8-103. Guide for Reviews by Auditing & Accounting Committee:** This Guide, included in the Appendix as Exhibit B, has been prepared to aid the Committee in conducting its reviews. It may be reproduced by photocopying as needed. In conducting a review portions of the Guide may be assigned to each member of the team. In larger Lodges it may be advisable to assign a team member to each entity, such as the Lodge, Club, Golf Course, etc.

**8-104. Report to Lodge:** The Auditing & Accounting Committee must report completion of their reviews to the Lodge at a regular session. All discrepancies, weaknesses and areas needing improvement, with the Committee's recommendations, should be discussed with the Exalted Ruler and persons responsible. It is clearly the duty of the Exalted Ruler, as chief executive officer of his Lodge, with the assistance of the Committee, to ensure that all recommendations are considered and implemented when approved.

**8-105. District Deputy's Internal Audit:** The District Deputy Grand Exalted Ruler, with the assistance of an Auditor, conducts this internal audit upon the occasion of his visit to the Lodge. This, in effect, is an internal audit conducted by corporate headquarters within its branch offices. The Exalted Ruler is expected to act affirmatively on recommendations made by the District Deputy.

*Note:* It is suggested that it would be very helpful if the Lodge's Auditing & Accounting Committee could be present when the District Deputy conducts his audit.

## — CHAPTER 9 —

### THE ANNUAL FINANCIAL REPORT

**9-101. General:** Each member of a Lodge is entitled to the assurance provided by an accountant's report that Lodge assets are being protected against waste, fraud and theft and are being used only for the purposes intended. Section 13.040 of the Statutes places responsibility on the Auditing & Accounting Committee to obtain and file the annual financial report on the forms designed by the Grand Lodge Auditing & Accounting Committee. The following advice, suggestions and recommendations are provided for carrying out these responsibilities.

**9-102. An Audit:** An audit is defined as a formal or official examination and verification of accounts. It results in a final report by the accountant setting forth his opinion. An audit requires more work and is more costly than a review or compilation. An audit is appropriate for any Lodge, but more so for larger Lodges that have a complex organization or extensive assets.

**9-103. A Review:** A review is an engagement performed by an independent accountant which is less expensive than an audit examination. The accountant determines whether material modifications exist that do not present financial information in conformity with generally accepted accounting principles. He makes this determination after conducting inquiries of Lodge personnel and performing an analytical review of procedures. A review is appropriate for all but the larger Lodges.

**9-104. A Compilation:** A compilation merely presents, in the form of financial statements, information that is the representation of Lodge management. A compilation is only to be prepared when the Independent Accountant determines that an audit or review is not economically practical because of inadequacies in Lodge records and procedures or similar circumstances. In addition, the accountant may prepare a compilation if it is his first report being prepared for a Lodge — however, in the following year either a review or an audit is to be prepared. However, under the two given examples mentioned, the report will not include an opinion or any other form of assurance that the financial information is in conformity with generally accepted accounting principles. Lodges are required to have at least a Review performed if there has been three consecutive prior years of compilation reports. **A compilation must have the approval of the Past Grand Exalted Ruler (Area Sponsor) before it can be prepared.**

**9-105. In-House Annual Financial Report Preparation:** Under Section 13.040(j), a Lodge must request permission to prepare its Annual Financial Report using in-house personnel, if it meets certain criteria and is approved by its Past Grand Exalted Ruler State Sponsor. Applications can be obtained from the Lodge's Grand Lodge Auditing & Accounting Area Committee Member, or included as Exhibit I in this manual. The completed application must be filed with the Area Committee Member by December 31 for the Lodge fiscal year to end the following March 31. After a Lodge has annually requested 3 In-House preparations of the Annual Financial Report, then in the fourth year the report must be prepared by a licensed independent accountant.

**9-106. Engaging the Accountant:** The accountant should always be a professional licensed by the State Board of Accountancy who does contract work for the general public and holds himself to be knowledgeable in the field of accounting; one who has the privilege of signing a report and one who should have a complete awareness in the preparation of the IRS Tax Forms. He should be one who is independent of the Lodge in order to obtain an impartial examination. It is recommended that he be engaged early in the Lodge year so that he may become familiar with the accounting system and procedures followed in the various funds of the Lodge. Engagement of the accountant should never be postponed beyond January for the year ending the following March 31.

**9-107. Negotiating the Engagement:** The Auditing & Accounting Committee should discuss with each prospective accountant the requirements and proposed terms of the engagement. Consider the following:

- a.* Show him Sec. 13.040 of the Statutes; copy of the Grand Lodge Auditing and Accounting Manual; and copy of prior year's financial report, and the last two years of the Grand Lodge Auditing & Accounting Committee's Evaluation Report.
- b.* If the Lodge has not already determined that it desires either an audit or a review, discuss with him the pros and cons and cost of each. Ask for his recommendation.
- c.* Express the desire for an assessment of internal controls, tax compliance and accounting procedures and his recommendation for corrective action.
- d.* Tell him when the books and records will be turned over to him. The target date should be not later than April 30. Ensure that he will complete the report and tax returns by June 15.
- e.* Be responsive to any request to take a look at Lodge accounting records.
- f.* A suggested contract for the engagement of the accountant is included in the Appendix, Exhibit C. This contract was developed by a former Chief Justice of the Grand Forum with assurance that it would have universal validity.

**9-108. Completing the Financial Report:** The report must include all standard report forms as provided by the Grand Secretary, completed in accordance with the guidance contained in this manual. The content and results of the findings of the accountant should be reviewed by the accountant with the Auditing & Accounting Committee. The Committee must report these findings at a regular session of the Lodge and obtain approval of the report. The Auditing & Accounting Committee or Lodge Secretary should complete all entries on the Transmittal Letter and Page 9, Supplemental Information. The completed form, together with a copy of all income tax return(s) filed on behalf of the Lodge, must be sent to your Area Auditing & Accounting Committee Member, and your District Deputy, on or before the June 30th due date. An example of a completed Financial Report is included in the Appendix, Exhibit E.

**9-109. Deadline for Filing:** This is June 30 as expressed in the Statutes. The postmark date will determine whether a report is filed on time. If unable to meet this deadline, the Auditing & Accounting Committee should have the Secretary forward a request for extension of time to the Area Member of the Grand Lodge Auditing & Accounting Committee as far in advance of the deadline as possible, explaining the reasons for the delay and the date on which the report will be filed. The Area Member of the Grand Lodge Auditing & Accounting Committee can approve only one extension. Subsequent extensions can be approved by the PGER Area Sponsor under extreme and unique circumstances of a Lodge. Delays in gathering the data by the Lodge, or delays by the accountant, are not considered extreme or unique.

**9-110. Evaluation Report:** After July 1, and wherever possible before the visit of the District Deputy, the Area Member of the Grand Lodge Auditing & Accounting Committee will post to the Grand Lodge web page a copy of the Acknowledgment of Receipt of Financial Report and Evaluation Thereof, with his or her recommendations, suggestions and comments, for the Exalted Ruler, the Secretary, the District Deputy, Special District Deputy and the Past Grand Exalted Ruler Area Sponsor(s). The evaluations will be available on-line under Grand Lodge reports, which will be available after receipt of E-mail notice by the GL Secretary's office. This report is to be read on the floor at a regular session of the Lodge and will be reviewed with the officers during the visit of the District Deputy. It is extremely important that the Board of Directors or Trustees receive a copy. It is also suggested that a copy of the last two Evaluation Reports be made available to the Independent Accountant. If directed by the Office of the Grand Secretary, specific pages of the Annual Report or the Evaluation may be made available to other Grand Lodge Departments.

**9-111. Separate Corporation:** A separate corporation is an entity of the Lodge which owes its existence to that authorization granted in Section 16.030 of the Statutes for the Lodge to form a separate corporation. Grand Lodge has long held that the annual Financial Report is to be a combined report and should include all separate corporations. The accountant engaged by the Lodge should also be engaged for the separate corporations. The income and expenses of the corporation should be included in the Financial Statements and the Combined Balance Sheet should include its assets, liabilities and equity. The Board of the separate corporation must allow the Lodge Audit Committee access to all financial data, present its Budget to the Lodge for approval and provide a copy of the required IRS and State tax returns for submission to the Area Member of the Grand Lodge Auditing & Accounting Committee. Submission dates are to be the same as those required by the Lodge.

**9-112. Approved IRS Status:** 501(c)(2) Corporations pose special obligations upon the Corporate Board of Directors. These corporations are legally defined as a (Holding Company). This means the following:

1. They hold title to property owned by the parent corporation (Lodge).
2. They can collect rents and pay bills identifiable to the held property.
3. They cannot carry on any other trade or business.
4. They cannot have financial transactions or profit which is considered Unrelated Business Income.
5. They can retain sufficient rental profits to cover anticipated expenses.
6. Excess profits must be distributed to the parent corporation at least annually.

## IRS EXAMINATIONS OF BPOE LODGES

**10-101. IRS EXAMINATION OF LODGE:** A notice to a Lodge of an IRS examination begins with a letter from an IRS examiner to set up an appointment to review Lodge records. The examination normally will be for a specific Lodge tax year or years.

*(When notice of an IRS examination is received, the Lodge should promptly notify its tax preparer, the PGER Area Sponsor, Grand Secretary and the GL Auditing & Accounting Area Committee Member.)*

The initial contact by the IRS will be followed by a written “Information Document Request” specifying what records and other information the Lodge should have available for the examination. This is an extensive listing of documents and records which the Lodge should begin assembling for the IRS examiner. IRS Form 4564 will request very specific information and may contain the following information:

**Important:** Copies of requested documents, prepared in advance and transmitted on a disk or thumb drive, will facilitate the examination, and will be retained by the examining agent at the completion of the examination. The requested information pertains to the report and dates given in the Subject section in the heading of this document. This information will be used to verify the accuracy of the report, and to determine and ensure that the organizational requirements are still met.

### WHAT TO EXPECT/HOW TO PREPARE/WHAT WILL BE NEEDED IN ADVANCE

**Engage your Accountant who prepared your reports and tax returns to represent you.**

**Initial Discussion:** between Lodge representative and Internal Revenue Agent: TAXPAYER RIGHTS.

**Initial Interview:** please be prepared to answer questions as they relate to the activities of your Lodge, such as membership, employment record keeping and reporting, accounting/bookkeeping practices, accounting software in use, internal controls, contracts/leases, and sources of revenue including gaming activity.

**Tour:** of the Lodge facilities to include all land, buildings and physical assets of material/substantial value.

**A room:** (with desk and electrical outlets) in which the examining agent can conduct the exam. Your representative may request that the agent conduct the exam at the representative’s office.

### Organizational and Operation Requirements

**Note:** Requested documents will be examined to determine if the club meets the following:

The club must be properly organized as a Fraternal Beneficiary Society described in Internal Revenue Code 501(c)(8) in that it:

- a. Operates under the “Lodge system” and has an established system for the payments to its members or their dependents of life, sick, or other benefits.
- b. Can demonstrate that its members have a common fraternal bond and are bound together by the same or similar calling, avocation, profession, or be working in unison to accomplish some worthy objective or common cause.
- c. Its governing documents must not contain language which provides for discrimination on the basis of race, color, or religion (aka: the written discrimination test)
- d. It accounts for all investments and/or non-member activity subject to unrelated business income per IRS 511-514.
- e. It retains all proof-of-receipt from investment and non-members’ use of its facilities.
- f. It has filed all required information and tax returns.



## **Requested Documents**

- 1.* Your Governing Instruments (articles of incorporation, amendments, bylaws, etc).
- 2.* Your Internal Revenue Service determination letter exempting you from Federal Income Tax.
- 3.* Any other notice, ruling, determination, or examination letters or reports you have received from IRS.
- 4.* Charter from your parent Lodge verifying your subordinate status.
- 5.* Minute Books (to include Lodge Meetings, Trustees, Board of Directors and Management Body) covering the years immediately prior to, including, and subsequent to the year under examination.
- 6.* In order to verify the correctness of income, gross receipts, deductions and credits and to reconcile the return to your books and records please provide all books and records of your organization's assets, liabilities, receipts & disbursements for the period(s) examined, to include:
  - a.* Chart of Accounts
  - b.* General Ledger
  - c.* Working Trial Balance
  - d.* Trial Balance
  - e.* Adjusted Trial Balance
  - f.* Annual Financial Statements
  - g.* Bank Statements of all accounts for the year(s) examined
  - h.* Reconciling documents which indicate agreement between bank statements and your books of record
  - i.* Cash receipts and cash disbursements journal (check register)
  - j.* Accounts payable and accounts receivable journals plus subsidiary ledgers
  - k.* Cancelled checks, paid-invoices/receipts (to be selected on-site)
- 7.* Payroll Journal/Reports, employee earnings records, employee tax returns — from 940, 941's, and W2's.
- 8.* Copies of contracts you are engaged in — employment, hall rent, loans, leases, mortgages/ notes payable, agreements, etc.
- 9.* Copies of your organization's membership directory, pamphlets, brochures, newsletters, publications, and record transactions with non-members.
- 10.* Reservation/Banquet Book, party function sheet, reservation sheets for club functions, member billing.
- 11.* Record keeping logs and sales receipts and other supporting documents which you use to identify and record transactions with non-members.
- 12.* Reciprocal arrangements with other clubs, applicable record keeping logs and sales receipts.
- 13.* Copy of all license(s) for gaming activity as may be permitted in your state or commonwealth for the period examined and current.
- 14.* Copy of all liquor license(s) as may be permitted in your state or commonwealth for the period examined and current.
- 15.* Copies of reports to/from State and other Federal agencies covering the years immediately prior to, including and subsequent to the year under examination.

The above paragraphs were actually included in a Document Request issued by the Internal Revenue Service. The best defense a Lodge can have is a strong offense in record keeping and a complete understanding that an IRS examination is a serious undertaking.

The IRS examiner usually will come to the Lodge premises to conduct the examination. The Lodge should have a qualified representative present, such as the Certified Public Accountant or Enrolled Agent who should have a Lodge Power of Attorney and be the designated spokesman for the Lodge. At all times, the Lodge representatives should be cooperative and answer any questions as accurately as possible. Other Lodge personnel should not participate unless specifically requested by the examiner and should speak only through the designated representative.

At the conclusion of the examination, the IRS examiner will prepare and send to the Lodge, a statement of his findings and any assessments of additional taxes. The Lodge will be allowed to comment upon and contest any disputed findings before the examiner issues a final report. If the Lodge does not agree with the final report of the examiner, it may ask for a conference at a higher IRS level.

In an IRS examination, there are some recurring subjects the IRS examiner likely will inquire into. Because every Lodge probably will have an IRS tax examination at some time, the information set forth below can be used to plan the Lodge business operations to minimize potential problems from an IRS examination.

**10-102. EXEMPT CLASSIFICATION:** In a number of IRS examinations, the examiners have questioned the tax classification of the Lodge under Section 501(c)(8) of the Internal Revenue Code. That is the classification that has been assigned to Grand Lodge and Local Lodges by the national IRS Exempt Organizations office. We believe that classification cannot be changed by the IRS examiner but rather any change must be made by the national IRS Exempt Organizations office.

Therefore, if the IRS examiner raises a question about the 501(c)(8) tax classification, Lodge Officers or representatives should not attempt on their own to respond or to discuss “benefits” that are available to Lodge Members under the 501(c)(8) exemption. The examiner should be advised that benefits to members and dependents are provided by our National organization, Benevolent and Protective Order of Elks of the United States of America, Inc., under group exemption 1156. Said benefits were reported to the Exempt Organizations national office which issued IRS 501(c)(8) exemption for the National organization and Local Lodges. Questions should be addressed to Grand Lodge or the Exempt Organizations national office. In preparation for the Audit, the Lodge Secretary should request, from the Grand Secretary, a copy of the IRS letter granting that Lodge status under Group 1156.

A Lodge should not file its own application to IRS for tax exemption, even if an IRS examiner seeks to demand that. IRS says, “If your organization is controlled by a National organization, you should check with your National organization to determine whether your Lodge has been included in a group exemption letter or may be added. If so, your Lodge need not apply for individual recognition of exemption.” [IRS Pub. 557, p. 50].

Any questions from the IRS examiner about tax classification should be reported to the PGER State Sponsor, Grand Secretary and the A&A Area Committee Member. They can supply written information to support the 501(c)(8) tax classification which can be provided to the examiner as necessary.

**10-103. UNRELATED BUSINESS INCOME:** It is almost certain that an IRS examiner will seek to determine whether there is taxable unrelated business income (UBI) that the Lodge has not reported to IRS. This is of interest to IRS since it can result in additional tax collections.

IRS says, “The term ‘unrelated trade or business’ means any trade or business the conduct of which is not substantially related to the exercise or performance by the organization of its charitable, educational, or other purpose or function constituting the basis for its exemption under section 501.”

Below are guidelines for *avoiding* UBI where possible.

## **A. General Rules.**

The Federal income tax exemption for Lodges applies to its “exempt function income” which IRS defines to mean “the gross income from dues, fees, charges, or similar amounts paid by members of the organization as consideration for providing such members or their dependents or guests goods, facilities, or services in furtherance of the purposes constituting the basis for the exemption of the organization to which such income is paid.”

Sales of goods or services to members are automatically tax-exempt and are not UBI.

Sales of goods or services to non-members will be presumed by IRS to be taxable UBI, although there are several exceptions discussed under subsection B below that if met will make those sales tax-exempt.

The IRS point of view is that the nature of the sale is determined mainly by who makes payment for the goods or services. If a member pays the bill, it will ordinarily be considered to be income from members.

IRS does not prohibit non-members from coming to the Lodge as guests of members. IRS defines a “guest” as “an individual invited to participate in an activity, accompanied by a member, and for whom all expenses are paid by the member.” Therefore, it is required that payment for goods or services for guests *must* come from the member and not from the non-member guest, or else the income will be UBI.

The tax exemption of Lodges does not generally apply for sales to the general public. IRS says, “Solicitation by advertisement or otherwise for public patronage of its facilities is prima facie evidence that the club is engaging in business. ...”

According to the IRS, “The term ‘general public’ means persons other than members of a lodge/club or their dependents or guests. The member’s spouse is treated as a member.”

In some IRS examinations, examiners have raised a question about the proper classification of sales of goods or services to visiting BPOE Members from other Lodges. It is our firm position that sales to visiting members are not UBI, since all Lodges are under the same group exemption and operate by uniform national rules. Our position is supported by IRS pronouncements. Therefore, income from sales to visiting Elks should be recorded as any other member income on the records of the Lodge. It is recommended that visiting Elks do not sign the “guest register,” but their identities may be separately recorded for informational purposes in a special “visiting Elks” register.

If an IRS examiner takes the position that income from visiting Elks is UBI, contact the PGER State Sponsor and the A&A Area Committee Member for further guidance.

## **B. Tax-Exempt Sales to the General Public.**

### **(1) Bingo**

A Lodge can provide bingo games to the public without having UBI, provided the bingo games comply with IRS requirements.

The following is quoted from IRS Pub. 3079:

“Bingo is defined as a game of chance played with cards that are generally printed with five rows of five squares each. Participants place markers over randomly called numbers on the cards in an attempt to form a preselected pattern such as a horizontal, vertical, or diagonal line, or all four corners. The first participant to form the preselected pattern wins the game. As used in this section, bingo game means any game of bingo of the type described above in which wagers are placed, winners are determined, and prizes or other property are distributed in the presence of all persons placing wagers in that game.

The exception applies only if the game is legal under state and local law and not in direct commercial competition with similar games conducted by for-profit organizations.”

For the bingo exception, it does not matter if the bingo customers are non-members (*in fact, in most cases they almost invariably are*), and it does not matter if paid personnel are used to conduct the bingo games.

It must be noted however, that the bingo exception does not apply to instant bingo, pull-tabs, raffles, and similar gaming provided to non-members. (*But there can be an exemption under the volunteer workers exception discussed next.*)

## **(2) Volunteer workers exception**

Goods and services provided by volunteer workers will not be UBI, even if the customers include non-members. This exception applies where “substantially all the work is performed for the organization without compensation.” According to IRS, the “substantially all” test is met when 85% of the total labor is provided by unpaid volunteers. The IRS says the percentage is determined by dividing the number of volunteers for the activity by the total number of workers for the activity, both paid and unpaid. (*However, any reasonable method of allocation should be acceptable.*)

The volunteer workers exception can apply to any Lodge fund-raising activity. For example, this could include instant bingo and pull tabs, raffles, etc., and also could include catering of food and beverage service, fund-raising events open to the public, etc. If those activities are conducted substantially all by volunteer workers, it will not be UBI, even if non-members are served.

## **(3) Rents from Lodge real property**

Rentals of Lodge real property for occupancy only, without providing other services, can be tax-exempt, in whole or in part.

The rental exception for occupancy applies even if a non-member makes payment for the occupancy.

The rental can include incidental personal property leased with the real property, such as chairs, tables, etc., and can include services necessary for use of the property such as setting up a room, cleanup, and the like.

But the rental exception does not apply where the rental encompasses both occupancy *and* other services, such as providing food and beverages as part of the rental package. If the rental agreement includes both rental of space and catering services, IRS probably will take the position that none of the income comes under the rental exception.

But IRS also has said that “the catering may be analyzed separately from the rental of space if there is a separate charge paid in accordance with a separate agreement between the parties.” In that case, the rental income would not be UBI, but income from catering could be taxable as unrelated business income.

For Lodges that would like to rely on the rental exception, it would be good practice to have two separate contracts for functions: (1) a contract for occupancy of the space, stipulating a fixed price for the occupancy, and (2) another contract for any catering services to be provided. The occupancy income could then be classified as exempt income, regardless of who uses the space and pays the rent. The catering income would be classified separately and analyzed according to the general rules and volunteer workers exception described above.

**Note:** Rental income may be subject to tax in the proportion the property is debt-financed (*i.e., is subject to a mortgage*) if the rental is to non-members. This will be determined by the Lodge’s accountant or tax preparer at year-end, and any required adjustments to income and expenses will be determined at that time.

### **C. Recommendations for Separating Lodge Revenues.**

The food and beverage service operations of a Lodge should be “departmentalized.”

A main *department* would be the private club or lounge area, which should be open only to members and their invited guests who are signed in. A sign outside this area should say “Members Only.” All payments for food and beverages in this area should be taken only from members. The records of this department should reflect that all income was received from members.

Another *department* would be for those Lodges that make a portion of their Lodge facilities available for use for functions at which non-members are present. This should be an area outside the private club or lounge facility. *(If a Lodge’s club or lounge facility is also sometimes made available for a private function, the time when it is being used for that function should be accounted for separately and included under this department and not the ordinary private club department.)*

If the private function is sponsored by a member, and if that member directly makes full payment for rental, food, and beverages, then the income from that function should be recorded as member income.

However, where payments are received from non-members, then that income should be separately recorded as non-member income. If one of the exceptions discussed above is applicable, then the income can be recorded as non-taxable per the applicable exemption.

If the unrelated income does not come under any exemption, then it should be recorded as taxable UBI, and the expenses related to that income should be separately determined and recorded. In that case, at year-end, then form 990T should be filed and the applicable income taxes paid.

These departmental procedures could, of course, result in the Lodge becoming liable for some income taxes by recording income from non-members in some departments. However, without a separation and accounting for non-member income, if an IRS examiner finds or concludes that there is in fact *any* non-member income, and if the Lodge is unable to provide an accounting of the amount of that income, the IRS agent might then classify *all* the income as coming from non-members. IRS states, “It is the responsibility of the exempt organization to demonstrate that a non-member is a bona fide guest so that the income is not taxable. The organization should maintain adequate books and records to identify members and their bona fide guests and distinguish them from non-members.”

The Chart of Accounts is designed to separate member and non-member income and expenses. A proven and consistent method of allocation of overhead expenses for each department must be presented to the examiner for justification of profits or losses. It is vitally important that your selected representative fully understands and applies these allocation methods. This could be an extreme burden on a Lodge that, for whatever reasons, has not filed a form 990T (Unrelated Business Income) tax form.

**10-104. FORM 990:** IRS Form 990 is the “Report of Organization Exempt From Income Tax” which must be filed annually by every Lodge.

On the front page of Form 990, in item “I – Tax-exempt status,” be sure to mark 501(c)(8).

Information about the annual revenues of the Lodge is to be recorded first in Part VIII. *(Part IX, column A, is to be used for general expenses.)* The figures from those Parts are then to be transferred to Part I – Summary on the front page in the applicable lines.

In Part VIII – Statement of Revenue, the Lodge should follow the rules set forth below to classify its sales of food, beverages and entertainment, and its gaming activities:

- (A)** All revenues from any activities that serve only members, including food and beverage sales in the social quarters, gaming, dances, dinners and all similar social functions or activities should be described and classified as “exempt function revenue.” **[Part VIII, line 2 column B].**

**(B)** All goods and services (*except gaming*) sold to the general public should be reported as fund-raising and classified as follows:

- (1)** Income from fund-raising activities to the general public that are conducted substantially by all volunteer members, less the related direct expenses, should be classified as excluded revenue. **[Part VIII, line 8 column D].**
- (2)** Income from fund-raising activities to the general public that are conducted by paid employees or contractors of the Lodge, less the related direct expenses, should be classified as “unrelated business revenue.” **[Part VIII, line 8 column C].** Also include in separate Form 990-T for UBI.

**(C)** Gaming income from the general public should be reported and categorized as follows:

- (1)** Income from bingo, less the related direct expenses, should be classified as excluded revenue. **[Part VIII, line 9c, column D].**
- (2)** Income from other gaming activities to the general public that are conducted substantially by all volunteer members, less the related direct expenses, should be classified as excluded revenue. **[Part VIII, line 9c, column D].**
- (3)** Income from other gaming activities to the general public that are conducted by paid employees or contractors of the Lodge less the related direct expenses, should be classified as “unrelated business revenue.” **[Part VIII, line 9c, column C].** Also include in separate Form 990-T for UBI.

For fund-raising and gaming income, it will be necessary also to complete Form 990, Schedule G.

Schedule G, Part II must be completed if the Lodge reports more than \$15,000 in gross revenues from fund-raising events.

Schedule G, Part III must be completed if the Lodge reports more than \$15,000 in gross revenues from gaming. The Lodge must classify those gaming revenues as indicated on Schedule G, Part III for specific gaming activities. On line 6, if substantially all of the organization’s work in conducting a type of gaming is performed by volunteers, check “Yes” and enter the percentage of total workers who are volunteers for each type of gaming conducted. (Refer to III(B)(2) of this memorandum for description of the volunteer labor percentage for exemption from UBI.)

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**NOTE:** The above information is not intended as comprehensive tax advice, but rather to alert Lodges to the most significant tax issues that Lodges ordinarily encounter in an IRS examination. Other issues can arise which could require further consideration.

**UNIFORM CHART OF ACCOUNTS**  
**GENERAL**

INTRODUCTION: Use of this Uniform Chart of Accounts is mandatory for all Lodges as stated in Sections 4.330 and 13.040 of the Statutes. It is designed to allow flexibility in the number of different accounts each Lodge will use and is adaptable for use in a computerized system. Each Lodge will use the approved Chart of Accounts and distribute the listing to all concerned for use in classifying assets, liabilities, receipts and expenditures for entry into the accounting system. Use the minimum number of accounts that will satisfy the following requirements: Local Accounts and subaccounts can be added for unique activities of a Lodge.

Accounts needed by Board or Trustees and entity managers for budget formulation and financial management.

Accounts needed to complete Federal, State and local income tax returns. Accounts needed to complete the annual financial report.

The Lodge listing should be updated annually by adding new accounts needed and eliminating those no longer used.

**BASIC OUTLINE:**

- 10000. Series Assets.
- 20000. Series Liabilities and Equity
- 30000. Series Lodge Income and Expenses
- 40000. Series Bar or Social Quarters Income and Expenses
- 50000. Series Food Service Income and Expenses
- 60000. Series
- 70000. Series
- 80000. Series
- 90000. Series Permanent & Temporary Restricted Charities, Grants & Bequests and Lodge Designated Lodge Restricted Funds.

Entries in the 90000 series of accounts will not affect the overall profit and loss of Lodge and Club Activities. All entries in this series will close into the respective Accounts 29000. All 30000-80000 Series of Accounts will close into Profit and Loss Equity Account on March 31, each year. Accounts 29000 will carry a balance forward each year. This Chart of Accounts is designed for use in most accounting systems. Lodges licensed to use Quick Books Pro will find the chart very useful. Account Numbers have been assigned to identify various like accounts in each Department, for example, Electricity: Lodge #36501, Bar #46501 and Food Service #56501. Each series of Accounts from 30000-90000 represent a Department or Class for Financial Statement presentation. All Lodges must adhere to Department/Class Financial Statements. Also note that some income accounts are non-member (UBI) to identify possible Unrelated Business Income for reporting on Form 990T. Account 29000 is an Equity Account and has been assigned sub-accounts.

**The Chart of Accounts is designed to separate member and non-member income and expenses. A reasonable and consistent method of allocating overhead expenses for each department (class) must be developed to satisfy any tax examiner that the Unrelated Business Income tax form 990T is acceptable. The actual formulas applied should become a part of the documented minutes of the governing body.**

**The following expanded Chart of Accounts provides the necessary accounts for most Lodges and can be easily inserted in a Quick Books accounting system. Sub-Accounts may be necessary for some of your activities. This chart of accounts is mandatory. Local Lodge modifications are acceptable as long as the accounting structure is not modified.**

**— EXHIBIT A — (continued)**

Account	Type
<b>&lt; ASSETS &gt;</b>	
<b>CURRENT ASSETS</b>	
10101 · Cash on Hand General	Bank
10102 · Cash Petty Cash	Bank
10103 · Cash Change Funds	Bank
10104 · Cash Bank Bar	Bank
10105 · Cash Bank Food Service	Bank
10106 · Cash Bank Others	Bank
10201 · Checking General	Bank
10202 · Checking Lottery/Other	Bank
10211 · Checking Special Groups	Bank
10214 · Checking ENF Grants Restricted	Bank
10215 · Checking Temp. Restricted Charity	Bank
10216 · Checking Bingo/Game Temp. (R)	Bank
10217 · Checking Lodge Temp. Restricted	Bank
10218 · Checking Permanent Restricted	Bank
10301 · Savings General Lodge	Bank
10302 · Savings Temporary Restricted	Bank
10303 · Savings Permanent Restricted	Bank
10500 · Accounts Receivable	Accounts Receivable
10600 · Notes & Contracts Receivable	Other Current Assets
10700 · Interest Receivable	Other Current Assets
10801 · Lodge Supplies Inventory	Other Current Asset
10802 · Bar Inventory	Other Current Asset
10803 · Food Inventory	Other Current Asset
10804 · Jewel Case Inventory	Other Current Asset
10805 · Gaming/Scratchers Inventory	Other Current Asset
10806 · Other Inventory	Other Current Asset
10901 · Prepaid expenses	Other Current Asset
11000 · Deposits Receivable	Other Current Asset
11100 · Other Current Assets	Other Current Asset
<b>FIXED ASSETS</b>	
15001 · Land	Fixed Asset
15050 · Building Improvements	Fixed Asset
15100 · Buildings	Fixed Asset
15200 · Accumulated Depreciation Bldg. and Improvements	Fixed Asset
15300 · Furniture/ Fixtures	Fixed Asset
15400 · Allowance for Depreciation Furniture	Fixed Asset
15500 · Equipment/Computers	Fixed Asset
15600 · Allowance for Depreciation Equipment	Fixed Asset
<b>OTHER ASSETS</b>	
18000 · Market Securities Lodge	Other Asset
18100 · Market Securities Perm. Restricted	Other Asset
<b>&lt; LIABILITIES &gt;</b>	
<b>CURRENT LIABILITIES</b>	
20000 · Accounts Payable	Accounts Payable
20200 · Contract Less than one year	Other Current Liability
20300 · Current Portion Note/Mortgage	Other Current Liability
20400 · Accrued Comp. Insurance	Other Current Liability
20500 · Accrued Interest	Other Current Liability



**— EXHIBIT A — (continued)**

<b>Account</b>	<b>Type</b>
20600 · Accrued Income Tax	Other Current Liability
20800 · Accrued Property Taxes	Other Current Liability
20900 · Sales Tax	Other Current Liability
21000 · Accrued Wages	Other Current Liability
21100 · Prepaid Customer Deposits	Other Current Liability
21200 · Other Current Liabilities	Other Current Liability
21500 · Other Per Paid Income	Other Current Liability
21600 · Payroll Tax Liabilities	Other Current Liability
21700 · Prepaid Rents	Other Current Liability
21800 · Prepaid Dues	Other Current Liability
21801 · Prepaid Fees	Other Current Liability
<b>LONG TERM LIABILITIES</b>	
23100 · Long Term Portion Notes	Long Term Liability
23200 · Mortgage Payable	Long Term Liability
23400 · Other Long Term Liabilities	Long Term Liability
<b>DEFERRED INCOME</b>	
28000 · Deferred Other Income	Deferred Income
<b>&lt; EQUITY &gt;</b>	
<b>RESTRICTED FUNDS</b>	
29000 · Restricted Funds:29001 · Temporary Restricted Funds	Equity
29000 · Restricted Funds:29001 · Temporary Restricted Funds:29010 · Bingo Net Restricted	Equity
29000 · Restricted Funds:29001 · Temporary Restricted Funds:29011 · Gaming Net	Equity
29000 · Restricted Funds:29001 · Temporary Restricted Funds:29013 · Elks National Foundation	Equity
29000 · Restricted Funds:29001 · Temporary Restricted Funds:29014 · ENF Grants Temp Restricted	Equity
29000 · Restricted Funds:29001 · Temporary Restricted Funds:29015 · State Major Projects	Equity
29000 · Restricted Funds:29001 · Temporary Restricted Funds:29018 · Other Restricted Charities	Equity
29000 · Restricted Funds:29001 · Temporary Restricted Funds:29020 · Lodge Designated Restricted	Equity
29000 · Restricted Funds:29110 · Permanently Restricted	Equity
<b>UNRESTRICTED FUNDS</b>	
29200 · Opening Balance Unrestricted Funds	Equity
29900 · Ending Balance Unrestricted Funds	Equity
<b>LODGE FUNDS</b>	
30100 · Members Dues	Income
30102 · Initiation Fees	Income
30103 · Transfers/ Dimits	Income
30104 · Reinstatements	Income
30110 · Per-Capita Fees	Income
30111 · Other Members Fees	Income
30401 · Catering Commissions	Income
30402 · Jewel Case Sales	Income
30405 · Bulletin Advertising	Income
30406 · Raffles/Drawings	Income
30500 · Rents Lodge	Income
30501 · Rents Club	Income
30502 · Rents Food Service	Income
30505 · Bingo Rents	Income
30506 · Lodge Rent Non-Members UBI	Income
30509 · Rents UBI	Income
30600 · Dividends	Income

**— EXHIBIT A — (continued)**

Account	Type
30700 · Interest	Income
30800 · Bequest/Donations Unrestricted	Income
30805 · Bulletin Advertising UBI	Income
30900 · Machine/Game/Lottery	Income
31100 · Miscellaneous	Income
31451 · Golf Tournaments	Income
31502 · Bowling Groups	Income
31503 · RV/Camper Clubs	Income
31504 · Motorcycle Club	Income
31505 · Fitness Centers	Income
31506 · Golf Clubs	Income
31510 · RV Parks	Income
31511 · Social Activities (No Food)	Income
31512 · Swimming Pools	Income
31520 · Other Lodge Activities Members	Income
31530 · Lodge Activities Non-Member UBI	Income
<b>BAR INCOME</b>	
40100 · Liquor Sales	Income
40200 · Beer/Wine Sales	Income
40300 · Sundries Sales	Income
40400 · Snack Bar Sales	Income
40600 · Rental Income	Income
40902 · Sales to Non-Members UBI	Income
41000 · Other Income	Income
<b>FOOD SERVICE INCOME</b>	
50101 · Food Service Sales	Income
50102 · Snack Bar Sales	Income
50103 · Special Events Food	Income
50104 · Food Non-Members UBI	Income
<b>OTHER DEPARTMENT INCOME</b>	
60000 · Other-Major Department (Class)	Income
70000 · Other-Major Department (Class)	Income
<b>RESTRICTED INCOME</b>	
90100 · Bingo Card Sales	Income
90102 · Pull Tab Sales	Income
90103 · Bingo Supplies Sales	Income
90105 · Other Bingo Sales	Income
90201 · Elks National Foundation	Income
90202 · State Major Project	Income
90205 · Local Charities	Income
90214 · ENF Grants Restricted Income	Income
90230 · Other Charities	Income
91000 · Permanent Restricted Grants	Income
91005 · Temporary Restricted ENF Grants	Income
91050 · Temporary Restricted Lodge Grants	Income
91051 · Temporary Restricted Lodge Transfer	Income
<b>BAR COST OF SALES</b>	
41400 · Inventory Variance-Bar	Cost of Goods Sold
41501 · Liquor Purchases	Cost of Goods Sold

**— EXHIBIT A — (continued)**

<b>Account</b>	<b>Type</b>
41502 · Beer/Wine Purchases	Cost of Goods Sold
41503 · Bar Supplies/Sundries	Cost of Goods Sold
41504 · Snack Bar Purchases	Cost of Goods Sold
<b>FOOD SERVICE COST OF SALES</b>	
51400 · Inventory Variance Food	Cost of Goods Sold
51500 · Food Purchases	Cost of Goods Sold
<b>LODGE EXPENSES</b>	
30403 · Jewel Case Purchases	Expense
33000 · Accounting	Expense
33200 · Amortization	Expense
33300 · Badges & Pins	Expense
33400 · Bulletin	Expense
33500 · Key Card	Expense
33600 · Cash Over/(Short) Lodge Funds	Expense
33701 · Convention G/L	Expense
33702 · Convention State	Expense
33703 · Convention Mid-Term	Expense
33704 · DD Clinics	Expense
33705 · Lodge Training Other	Expense
34000 · VIP Visits	Expense
34100 · Employee Benefits	Expense
34200 · Insurance G/L	Expense
34201 · Insurance Workers Comp.	Expense
34202 · Insurance Other	Expense
34300 · Interest Paid	Expense
34400 · Janitorial Supplies	Expense
34401 · Janitorial Contract	Expense
34500 · Legal	Expense
34600 · Lodge Supplies G/L	Expense
34700 · Loss, Bad Checks/Credit Cards	Expense
34800 · Miscellaneous/Unassigned	Expense
34901 · Office-Travel	Expense
34902 · Office-Postage	Expense
34903 · Office-Supplies	Expense
34904 · Office-Computer Maintenance/Supplies	Expense
35000 · Officer-Expenses	Expense
35012 · Officer Salary-Treasurer	Expense
35101 · Officer Salary-Secretary	Expense
35103 · Officer Salary-Tiler	Expense
35104 · Officer Salary-Organist	Expense
35200 · Per-Capita District	Expense
35201 · Per-Capita G/L	Expense
35202 · Per-Capita State	Expense
35300 · Public Relations	Expense
35401 · Rent-Real Property	Expense
35402 · Rent-Equipment	Expense
35403 · Rent-Furniture/Fixtures	Expense
35501 · Maintenance/Repairs	Expense
35502 · Maintenance Contracts	Expense

**— EXHIBIT A — (continued)**

Account	Type
36101 · Wages-Janitor	Expense
36102 · Wages-Office Clerks	Expense
36103 · Wages-Security	Expense
36201 · Taxes-Payroll	Expense
36202 · Taxes-Real Property	Expense
36203 · Taxes-Personal Property	Expense
36204 · Taxes-Other	Expense
36300 · Telephone/Internet	Expense
36501 · Utilities-Electricity	Expense
36502 · Utilities-Gas	Expense
36503 · Utilities-Other Fuels	Expense
36506 · Utilities-Trash Removal	Expense
36600 · Lodge Expenses-Other	Expense
39001 · Bowling	Expense
39003 · RV-Camper Clubs	Expense
39004 · Motorcycle Club	Expense
39005 · Fitness Centers	Expense
39006 · Golf Clubs	Expense
39007 · Lodge Activities-Members	Expense
39008 · Lodge Activities-Non-Members	Expense
39010 · RV Parks	Expense
39011 · Social Activities (No Food)	Expense
39012 · Swimming Pools	Expense
39020 · Other Activities-Members	Expense
39021 · Other Activities-Non-Members	Expense
39901 · Depreciation Lodge	Expense
<b>BAR EXPENSES</b>	
42000 · Advertising/Promotion	Expense
42100 · Alarm Service	Expense
42200 · Accounting	Expense
42400 · Auto Expense	Expense
42500 · Recreation Room Expense	Expense
42600 · Credit Card Expense	Expense
43000 · Cash Over/(Short)	Expense
43200 · Commissions	Expense
43300 · Decorations	Expense
43500 · Employee Benefits	Expense
44100 · Ice	Expense
44200 · Insurance-G/L	Expense
44201 · Insurance-Work Comp.	Expense
44400 · Janitorial Supplies	Expense
44401 · Janitor-Contract	Expense
44500 · Licenses	Expense
44600 · Laundry/Linen	Expense
45100 · Meals to Employees	Expense
45200 · Miscellaneous-Unassigned	Expense
45300 · Music/Entertainment	Expense
45400 · Rent	Expense
45402 · Equipment Rental	Expense

**— EXHIBIT A — (continued)**

<b>Account</b>	<b>Type</b>
45500 · Repair/Maintenance	Expense
46000 · Replacements	Expense
46101 · Wages-Bartenders/Waitress	Expense
46102 · Wages-Management	Expense
46103 · Wages-Office	Expense
46104 · Wages-Other	Expense
46200 · Taxes-Payroll	Expense
46202 · Taxes-Property Real	Expense
46203 · Taxes-Personal Property	Expense
46204 · Taxes-Other	Expense
46300 · Telephone/TV	Expense
46400 · Uniforms	Expense
46501 · Utilities-Electricity	Expense
46502 · Utilities-Gas	Expense
46503 · Utilities-Other Fuels	Expense
46504 · Utilities-Trash	Expense
46600 · Other Club Expenses	Expense
49901 · Depreciation Bar	Expense
<b>FOOD SERVICE EXPENSES</b>	
52000 · Promotion	Expense
52100 · Alarm/Security	Expense
52200 · Accounting	Expense
52400 · Auto Exp.	Expense
52500 · Food Service Supplies	Expense
52600 · Kitchen Supplies	Expense
53000 · Cash-Over (Short)	Expense
53200 · Commission	Expense
53300 · Decorations Dining	Expense
53500 · Employee Benefits	Expense
54000 · Equipment Rental	Expense
54200 · Insurance-G/L	Expense
54201 · Insurance Work-Comp.	Expense
54301 · Cleaning Supplies	Expense
54302 · Contracted Janitorial	Expense
54400 · Laundry/Linen	Expense
54501 · Health License	Expense
54502 · Food Handler Cards	Expense
55000 · Menus	Expense
55100 · Employee Meals	Expense
55200 · Miscellaneous-Unassigned	Expense
55300 · Entertainment	Expense
55400 · Rents	Expense
55501 · Maintenance-Repairs	Expense
55502 · Maintenance-Contracts	Expense
55503 · Maintenance-Hood & Fire System	Expense
56000 · Replacements/Dish etc.	Expense
56101 · Wages-Cooks/Preparers	Expense
56102 · Waiters/Waitress/Bussing	Expense
56103 · Wages-Manager	Expense

**— EXHIBIT A — (continued)**

<b>Account</b>	<b>Type</b>
56104 · Wages-Office	Expense
56201 · Taxes-Payroll	Expense
56202 · Taxes-Property	Expense
56300 · Telephone & TV	Expense
56400 · Uniforms provided	Expense
56500 · Utility-Electricity	Expense
56502 · Utility-Gas	Expense
56503 · Utility-Other Fuels	Expense
56504 · Utility-Trash Removal	Expense
56600 · Other Kitchen Expenses	Expense
59901 · Depreciation Kitchen	Expense
<b>RESTRICTED FUND EXPENSES</b>	
92001 · Bingo Card Pay Out	Expense
92002 · Pull Tab Pay Out	Expense
92003 · Bingo Special Pay Out	Expense
92010 · Bingo Supplies	Expense
92011 · Bingo Advertising	Expense
92012 · Bingo Rent	Expense
92015 · Bingo Volunteer Expenses	Expense
92020 · Bingo Donations to Charities	Expense
93100 · Civic Activities	Expense
93101 · Dictionary Program	Expense
93102 · Distress Members	Expense
93104 · Community Activities	Expense
93105 · Kids Christmas	Expense
93116 · Law Enforcement Recognition	Expense
93120 · Veterans Activities	Expense
93123 · State Major Project Donations	Expense
93150 · Other Local Charities	Expense
93214 · ENF Grants Restricted Expense	Expense
93215 · ENF Donations	Expense
95010 · Disbursement Perm. Restricted	Expense
95020 · Disburse. Other Temp Restricted	Expense

**GUIDE FOR REVIEWS BY LODGE AUDITING & ACCOUNTING COMMITTEE**

This guide is for use in conducting reviews specified in Sec. 13.040(i) of the Grand Lodge Statutes. Before proceeding, Committee Members should read and achieve an understanding of the following:

- Sec. 12.050 — Duties of the Secretary
- Sec. 12.060 — Duties of the Treasurer
- Sec. 12.070 — Duties of the Trustees
- Sec. 16.030 and 16.040 — Budgeting Requirements
- The Grand Lodge Auditing and Accounting Manual (Code 510100)

The Committee should keep in mind that the basic purpose of the review and report to the Lodge are to provide reasonable assurance (1) that cash assets are safeguarded against loss from unauthorized use or disposition; (2) that transactions are executed as intended by the Lodge and recorded in a manner that will promote accurate financial statements; and (3) that each entity utilize the required budget process to control expenditures and prevent year-end losses.

	YES	NO
1. Have Dues and Fees been posted currently by date, name and in proper account? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
2. Has Interest earned, as noted on bank or depository statements, been entered in the computer system? . . .	<input type="checkbox"/>	<input type="checkbox"/>
3. Do revenues from the following entries compare with source document and code number of the Chart of Accounts? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<i>a.</i> Receipts from each fund-raising event, special or catered affair? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<i>b.</i> Rental of Real Estate or facilities? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<i>c.</i> Daily Bar & Lounge receipts? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<i>d.</i> Daily food receipts? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<i>e.</i> Receipts from Bingo . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<i>f.</i> Receipts from Entertainment Machines? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
<i>g.</i> Others peculiar to the Lodge (i.e., Swimming Pool, Golf, Snack Bar, etc.) . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the Secretary receive all monies from all sources? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
5. Are bank deposits made promptly, for safeguarding purposes? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
6. Do the deposits reconcile with Secretary’s receipts? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
7. Was the cash receipts journal correctly totaled and balanced? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
8. Were entries from the cash journals correctly posted to the General Ledger? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
9. Trace revenue entry to the General Ledger, to the entry in Cash Journal, and to the bank deposit slip. Was each entry correct? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
10. Count cash on hand for each authorized entity. Did the amount reconcile with the recorded amount? . . .	<input type="checkbox"/>	<input type="checkbox"/>
11. Does cash on hand held by all parties exceed limits of existing Insurance? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>

**EXPENSE RECORD KEEPING**

**Examine a reasonable number of expense entries against the vouchers or invoices.**

12. Is a voucher system used in authorizing expenditures by the Lodge? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
13. Do check amounts agree with invoices? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
14. Was the correct expense account code from the Chart of Accounts entered? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
15. Are all invoices marked “Paid” with the date and check number posted thereon? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
16. Were payroll checks computed correctly based on hours worked, taxes withheld? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
17. Is the number of checking accounts kept to a minimum? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>
18. Are all checking accounts interest-bearing? . . . . .	<input type="checkbox"/>	<input type="checkbox"/>

**— EXHIBIT B — (continued)**

**Examine the Cash Disbursement Journals.**

- |  | YES                      | NO                       |
|--|--------------------------|--------------------------|
| 19. Were the latest monthly Cash Disbursement Journals correctly balanced? . . . . .   | <input type="checkbox"/> | <input type="checkbox"/> |
| 20. Were entries from the Cash Disbursement Journals properly posted to the General Ledger? . . . . .  | <input type="checkbox"/> | <input type="checkbox"/> |
| 21. Select several expense entries from the latest monthly statements.<br>Trace the expense entry to the General Ledger, to the entry in the<br>Cash Disbursements Journal, to the check, and to the invoice. Was each verified and correct? . . . . . | <input type="checkbox"/> | <input type="checkbox"/> |
| 22. Were the statements from each Bank and Depository reconciled monthly? . . . . .  | <input type="checkbox"/> | <input type="checkbox"/> |
| 23. Cash payouts are discouraged. Are they kept to a minimum? . . . . .  | <input type="checkbox"/> | <input type="checkbox"/> |
| 24. Are cash payouts entered correctly in the appropriate Disbursement Journal? . . . . .  | <input type="checkbox"/> | <input type="checkbox"/> |

**BUDGET COMPLIANCE**

- |   |                          |                          |
|---|--------------------------|--------------------------|
| 25. Was a proper budget prepared for each entity of the Lodge? . . . . .  | <input type="checkbox"/> | <input type="checkbox"/> |
| 26. Were the budget line items correlated well with the Chart of Accounts? . . . . .                                  | <input type="checkbox"/> | <input type="checkbox"/> |
| 27. Was the Budget presented to the Lodge and approved by the members present? . . . . .                              | <input type="checkbox"/> | <input type="checkbox"/> |
| 28. Are monthly statements prepared and made available to compare with budget? . . . . .                              | <input type="checkbox"/> | <input type="checkbox"/> |
| 29. Was an expenditure of any line item in excess of the budgeted amount? . . . . .                                   | <input type="checkbox"/> | <input type="checkbox"/> |
| 30. If applicable, were expenditures for unbudgeted items first referred to the Trustees for consideration? . . . . . | <input type="checkbox"/> | <input type="checkbox"/> |
| 31. Do the Trustees meet regularly to review the budget comparisons? . . . . .  | <input type="checkbox"/> | <input type="checkbox"/> |
| 32. Do the Trustees have a complete record of the Fixed Assets of the Lodge? . . . . .                                | <input type="checkbox"/> | <input type="checkbox"/> |

**TAX COMPLIANCE**

- |  |                          |                          |
|--|--------------------------|--------------------------|
| 33. Examine income-producing activities to determine if there is unrelated business income.<br>Are records being kept on that segment of activity for the purpose of filing the IRS 990T Return? . . . . . | <input type="checkbox"/> | <input type="checkbox"/> |
| 34. Are Payroll Taxes withheld on all employees? . . . . .   | <input type="checkbox"/> | <input type="checkbox"/> |
| 35. Has the Lodge rendered when due, all payroll, income and employment taxes? . . . . .   | <input type="checkbox"/> | <input type="checkbox"/> |
| 36. If contract labor is used, are 1099 forms issued when due? . . . . .   | <input type="checkbox"/> | <input type="checkbox"/> |
| 37. If interest of \$10 or more is paid anyone, is 1099-INT form issued? . . . . .   | <input type="checkbox"/> | <input type="checkbox"/> |
| 38. If applicable, is Sales Tax paid promptly when due? . . . . .  | <input type="checkbox"/> | <input type="checkbox"/> |
| 39. Are all persons handling money properly bonded? . . . . .  | <input type="checkbox"/> | <input type="checkbox"/> |

**NOTE:** The Lodge Auditing Committee should report the results of this review at a regular meeting of the Lodge, adding any recommendations the Committee may have.

REMARKS TO BE MADE ON SEPARATE PAGE IF NEEDED.

**DO NOT** send copy to Grand Lodge Auditing and Accounting Committee or with the D.D. Visit Report. Auditor to the District Deputy Grand Exalted Ruler will examine this report.



**— EXHIBIT C —**

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**EMPLOYMENT OF ACCOUNTANT  
CONTRACT TO PERFORM ANNUAL FINANCIAL REPORT**

THIS AGREEMENT is made the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between  
\_\_\_\_\_  
(Name of Lodge) Lodge # \_\_\_\_\_ of the Benevolent and Protective Order  
(Lodge No.)  
of Elks, a/an \_\_\_\_\_ non-profit Corporation, herein referred to as “Lodge,” whose address  
(State)  
is \_\_\_\_\_  
(Street or P.O. Box No., Town, State and Zip Code)  
and \_\_\_\_\_, whose address  
(Name of Accounting Firm)  
is \_\_\_\_\_ herein referred to as “Accountant.”  
(Street or P.O. Box No., Town, State and Zip Code)

**— ARTICLE I —**

**STATUS OF THE PARTIES**

Lodge is a non-profit corporation, with principal offices in the city of \_\_\_\_\_, State of \_\_\_\_\_, and is a Local Lodge of the Benevolent and Protective Order of Elks of the United States of America.

**— ARTICLE II —**

**EMPLOYMENT OF ACCOUNTANT**

Lodge agrees to hire and retain Accountant in his capacity as Accountant agrees to such employment on the terms and conditions herein set forth.

**— ARTICLE III —**

**DUTIES OF ACCOUNTANT**

It shall be the duty of Accountant to prepare the annual financial report of the business affairs of Lodge for the Lodge year \_\_\_\_\_ - \_\_\_\_\_, in full compliance with Section 13.040 of the Statutes of the Benevolent and Protective Order of Elks. Lodge promises to furnish Accountant with a copy of this Statute and Accountant agrees to perform his services in accordance with the requirements of said Statute including, but not limited to, completion of all standard financial report forms furnished by the Grand Lodge to Lodge.

Accountant also agrees to complete all necessary annual tax returns required by Federal, State and local agencies (if any), in a timely manner, and have the financial report delivered to Lodge by June 15, \_\_\_\_\_. If any extensions for filing are necessary, Accountant shall make the necessary requests to I.R.S., State or local taxing agency.

— ARTICLE IV —

**COMPENSATION OF ACCOUNTANT**

Lodge agrees to pay Accountant for such services as herein set forth the sum of \$ \_\_\_\_\_, immediately upon completion of the annual financial report and filing of the necessary tax returns as described herein. Lodge also agrees to pay any reasonable necessary other expenses incurred by Accountant, such as filing fees, in the billing by Accountant to Lodge, but in no way to exceed the sum of \$ \_\_\_\_\_ as additional expense.

— ARTICLE V —

**EMPLOYMENT OF ACCOUNTANT**

All records and papers (including but not limited to, books, records, papers and other documents that belong to Lodge) that Lodge delivers to Accountant with respect to Accountant's duties hereunder, shall remain the property of Lodge.

— ARTICLE VI —

**CONFIDENTIALITY OF RECORDS AND PAPERS**

Accountant agrees that he will not at any time allow anyone to examine, make copies of, take possession of, the records and papers described in ARTICLE V.

— ARTICLE VII —

**RETURN OF RECORDS AND PAPERS TO LODGE**

Accountant shall at once return to Lodge all the records and papers described in ARTICLE V upon the occurrence of:

1. Lodge's request that such records and papers be returned to it, or
2. Accountant's violation of any commitment under ARTICLE VI, or
3. A request by anyone (other than the Lodge) to examine, copy or take possession of any such records and papers, or
4. An attempt is made to serve upon the Accountant, whether successful or not, any judicial administrative order, subpoena or summons having the purpose of requiring the production of such records and papers.

— ARTICLE VIII —

**EFFECTIVE DATE**

This agreement becomes effective on the date designated herein above.

IN WITNESS WHEREOF, the parties have executed this agreement at \_\_\_\_\_,  
the day and year first above written. (Designate Place of Execution)

\_\_\_\_\_ Lodge # \_\_\_\_\_ (Accountant)

by \_\_\_\_\_ (Chairman of Board of Trustees)

**EXAMPLE OF INVENTORY CERTIFICATE**

Dear Sir:

In connection with your examination of the Balance Sheet of \_\_\_\_\_, Lodge # \_\_\_\_\_, B.P.O. Elks, as of March 31, 20\_\_\_\_, the following is a summary of the inventory which has been determined under our general direction and control:

- 1. Liquor ..... \$ \_\_\_\_\_
- 2. Mixers ..... \$ \_\_\_\_\_
- 3. Beer..... \$ \_\_\_\_\_
- 4. Wine..... \$ \_\_\_\_\_
- 5. Cigars and cigarettes..... \$ \_\_\_\_\_
- 6. Other Merchandise..... \$ \_\_\_\_\_
- 7. Restaurant..... \$ \_\_\_\_\_

The above amounts were determined by: Actual Inventory \_\_\_\_\_; Estimated Inventory \_\_\_\_\_. To the best of our knowledge and belief:

- 1. Inventory quantities are correct and were determined by actual count, except as follows:  
\_\_\_\_\_
- 2. Estimated inventory was determined in the following manner:  
\_\_\_\_\_
- 3. The goods and merchandise included in the inventory are the property of \_\_\_\_\_, Lodge # \_\_\_\_\_, B.P.O. Elks and none are encumbered, or held on consignment from others, or subject to any liens, except as follows:  
\_\_\_\_\_
- 4. The inventory has been valued at:  
Cost: \_\_\_\_\_ Cost or Market, whichever lower: \_\_\_\_\_ Other: \_\_\_\_\_  
\_\_\_\_\_  
(Obsolete, defective, old goods, etc., valued at \$ \_\_\_\_\_ are not included in inventory at prices in excess of net realizable value.)

To the best of our knowledge and belief the amounts stated above are a fair and proper valuation of the inventory for inclusion in the Balance Sheet, for period ended March 31, 20\_\_\_\_.

Yours very truly,  
\_\_\_\_\_ Lodge # \_\_\_\_\_, B.P.O. Elks

By \_\_\_\_\_  
(Chairman, Auditing Committee)

\_\_\_\_\_  
(Member, Auditing Committee)

\_\_\_\_\_  
(Member, Auditing Committee)

THIS PAGE TO BE COMPLETED BY THE AUDIT COMMITTEE OR LODGE SECRETARY

**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, 2020 of Lodge REDROCK #4510 Southeast  
(Name and Number) (Name of District)

Mailing address 99100 ELKS LANE Redrock OK 89882-1234  
(Street) (City) (State) (Zip)

E-mail address talkingfinances@elks.org

The enclosures consist of the following:

- 1. Transmittal Letter and Pages 1 through 10 of Grand Lodge forms.
- 2. Copies of all of Accountant's Financial Statements if prepared.
- 3. Copy of Federal Income Tax Return(s) (Form 990, 990T & 990-501(C)(2) as applicable and State Returns.

All Entities of the Lodge are included in this report:  Yes  No (If No, Explain) \_\_\_\_\_

The report was prepared by Cashing Ur. Checque, CPA, an independent accountant.

Preparer's phone number 1-(405) 987-6543 E-mail cuccpamakemore@office.com

The report was presented to the Lodge membership on APRIL 15, 2020.  
(Date)

**Lodge Auditing and Accounting Committee (for the year being submitted)**

Name	E-mail Address	Telephone No.
<u>1. Auditing &amp; Committee</u>	<u>numbersrmygame@elks.org</u>	<u>(405) 123-4567</u>
<u>2. Accounting &amp; Figures</u>	<u>keepingbooks@elks.org</u>	<u>(405) 891-0111</u>
<u>3. Liberty Ann Justice</u>	<u>pursuitoffinance@elks.org</u>	<u>(405) 213-1415</u>

Please PRINT/TYPE Names, Addresses and E-mail Addresses of the CURRENT Exalted Ruler and Secretary:

Jackson P. Charity  
(Current Exalted Ruler)

99 Elks Boulevard  
(Street)

Redrock, OK 89882  
(City, State, Zip)

leaderofthepack@lodge.org  
(E-mail Address)

Elkton N. Foundation  
(Secretary)

100 Fraternal Avenue  
(Address)

Wynnewood, OK 89334  
(City, State, Zip)

2ndincommand@lodge.org  
(E-mail Address)

**SEND ORIGINAL TO:**  
G.L. Auditing & Accounting Committee Area Member

**Send Copies to the following:**

- 1. D.D.G.E.R.
- 2. Retain for Lodge File
- 3. Lodge Auditing Committee

Fraternally,  
Lodge A & A Chairman  
Chairman, Lodge Auditing & Accounting Committee

E-mail Address talknumbers@me.com

Year Ending 3/31/2020

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

Name REDROCK, OK, Lodge No. 4510

**INDEPENDENT ACCOUNTANT'S REPORT  
TO BE SUBMITTED ON ACCOUNTANT'S STATIONERY**

To the Auditing & Accounting Committee  
Redrock Elks Lodge #4510  
P. O. Box 1999  
Redrock, OK 89882-1999

We have audited the accompanying financial statements of Redrock Lodge #4510 which comprise the statement of financial condition as of March 31, 2020 and 2019, and the related statements of income (loss) and cash flow for the year ended March 31, 2020.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America: this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement including the assessment of risk of material misstatement of the financial statement, whether due to fraud or error. In making those assessments, the auditor considers internal controls relevant to preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for an audit opinion.

**Opinion**

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of Redrock Lodge 4510 as of March 31, 2020 and 2019, the results of its operations and its cash flow for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Cashing Ur. Checque*

Cashing Ur. Checque  
June 15, 2020

Checque & Associates, PC  
Certified Public Accountants  
1920 Appletree Drive  
Foster, OK 89666

— EXHIBIT E — (continued)

Name REDROCK, OK, Lodge No. 4510 PAGE 2

**COMBINED BALANCE SHEET — (ALL ENTITIES)**

<b>ASSETS</b>	Prior Year March 31, 2019		Current Year March 31, 2020		
<b>CURRENT ASSETS:</b>					
1 Cash on Hand & in Bank (Lodge Owned)	\$	34,019		\$	31,627
1a Cash Restricted		2,288			13,579
2 Prepaid Expenses		0			0
3 Inventories		3,863			4,982
4 Investments (Lodge Owned)		5,176			4,106
4a Investments (Restricted Funds)		0			0
5 <b>Total Current Assets</b>		<b>\$ 45,346</b>		<b>\$</b>	<b>54,294</b>
<b>FIXED ASSETS:</b>					
6 Buildings & Improvements	\$	549,000		\$	557,537
7 Personal Property		90,901			96,222
8 <b>Total</b>		<b>639,901</b>			<b>653,759</b>
9 Less: Accumulated Depreciation		(394,132)			(420,844)
10 <b>Net Book Value</b>		<b>245,769</b>			<b>232,915</b>
11 Land		322,000			322,000
12 <b>Total Fixed Assets</b>		<b>\$ 567,769</b>		<b>\$</b>	<b>554,915</b>
<b>OTHER ASSETS:</b>					
13 Investments—Long Term (Lodge Owned)	\$	65,000		\$	70,507
13a Investments (Restricted Funds)		0			0
14 Other Assets (Describe in Notes)		0			0
15 <b>Total Other Assets</b>		<b>\$ 65,000</b>		<b>\$</b>	<b>70,507</b>
16 <b>TOTAL ASSETS</b>		<b>\$ 678,115</b>		<b>\$</b>	<b>679,716</b>
<b>LIABILITIES and EQUITY</b>					
<b>CURRENT LIABILITIES:</b>					
17 Accounts Payable	\$	10,101		\$	9,550
18 Note & Mortgage Payments – Due Within One Year					
19 Deferred Dues & Fees		11,447			9,381
20 Other Payables (Describe in Notes)					
21 <b>Total Current Liabilities</b>		<b>\$ 21,548</b>		<b>\$</b>	<b>18,931</b>
<b>TERM LIABILITIES:</b>					
22 Note & Mortgage Payments – Due After One Year	\$	17,472		\$	8,138
23 Other Term Liabilities (Describe in Notes)					
24 <b>Total Term Liabilities</b>		<b>\$ 17,472</b>		<b>\$</b>	<b>8,138</b>
<b>DEFERRED INCOME:</b>					
25 Other (Describe in Notes)	\$			\$	
26 <b>Total Deferred Income</b>		<b>\$</b>		<b>\$</b>	
27 <b>TOTAL LIABILITIES &amp; DEFERRED INCOME</b>		<b>\$ 39,020</b>		<b>\$</b>	<b>27,069</b>
<b>EQUITY</b>					
<b>RESTRICTED FUNDS:</b>					
28 Temporarily Restricted	\$	2,288		\$	13,579
29 Permanently Restricted					
30 <b>Total Restricted Funds</b>		<b>\$ 2,288</b>		<b>\$</b>	<b>13,579</b>
<b>UNRESTRICTED FUNDS:</b>					
31 From Page 8, Schedule 2			636,807		639,068
32 <b>TOTAL EQUITY</b>		<b>\$ 639,095</b>		<b>\$</b>	<b>652,647</b>
33 <b>TOTAL LIABILITIES &amp; EQUITY</b>		<b>\$ 678,115</b>		<b>\$</b>	<b>679,716</b>

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

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Name REDROCK, OK, Lodge No. 4510

**STATEMENT OF LODGE FUND REVENUE, EXPENSES  
AND COMPARISON TO APPROVED BUDGET**

REVENUE	Prior	Current		
	Year Ended March 31, 2019	Actual	Year Ended March 31, 2020 Budget	Over (Under)
1 Dues	\$ 25,674	\$ 25,492	\$ 25,700	\$ (208)
2 Fees	2,590	2,745	3,010	(265)
3 Rent	7,662	11,517	10,200	1,317
4 Interest & Dividends	0	5,768	6,000	(232)
5 Contributions	8,239	11,674	11,600	74
6 Fundraising	29,812	29,354	30,000	(646)
7 Other (Totals from Page 3A)	0	0	0	0
<b>8 Total Revenue</b>	<b>\$ 73,977</b>	<b>\$ 86,550</b>	<b>\$ 86,510</b>	<b>\$ 40</b>
<b>EXPENSES (List)</b>				
9 Accounting	\$ 0	\$ 0	\$ 0	\$ 0
10 Legal	0	0	0	0
11 Bulletin	2,768	2,678	3,000	(322)
12 Convention	4,653	0	0	0
13 Dignitary Entertainment	0	0	0	0
14 Employee Benefits	0	0	0	0
15 Insurance	3,058	3,250	3,000	250
16 Interest	3,530	2,273	2,500	(227)
17 Janitorial Expense	0	0	0	0
18 Supplies	5,682	6,940	6,500	440
19 Office Expense	350	264	350	(86)
20 Officers' Expense	0	0	0	0
21 Per Capita – Grand Lodge	4,068	4,131	4,050	81
22 Per Capita – State	1,356	1,377	1,390	(13)
23 Rent Expense	1,531	2,021	1,500	521
24 Repairs & Maintenance	2,260	2,966	2,500	466
25 Salaries & Wages	24,676	18,190	17,000	1,190
26 Taxes, Payroll	3,277	3,728	3,600	128
27 Taxes, Property	0	0	0	0
28 Telephone	3,055	2,303	2,500	(197)
29 Utilities	1,462	6,550	6,000	550
30 Fundraising Expenses	0	3,500	3,000	500
31 Prorated Overhead Expenses (Negative) to Page 4, Line 23	(1,000)	(1,000)	(1,000)	0
32 Other (Totals from Page 3A)	9,084	0	0	0
<b>33 Total Expenses</b>	<b>\$ 69,810</b>	<b>\$ 59,171</b>	<b>\$ 55,890</b>	<b>\$ 3,281</b>
34 Increase (Decrease) Before Depreciation Expense	\$ 4,167	\$ 27,379	\$ 30,620	\$ (3,241)
35 Depreciation Expense	(24,200)	(26,712)	(26,900)	(188)
<b>INCREASE (DECREASE)</b>				
<b>36 Unrestricted Funds to Page 8, Schedule 2</b>	<b>\$ (20,033)</b>	<b>\$ 667</b>	<b>\$ 3,720</b>	<b>\$ (3,053)</b>

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

— EXHIBIT E — (continued)

Name REDROCK, OK, Lodge No. 4510

PAGE 3A

**STATEMENT OF LODGE FUND REVENUE, EXPENSES  
AND COMPARISON TO APPROVED BUDGET**

REVENUE OTHER: (Identify)	Prior Year Ended March 31, 2019	Current Year Ended March 31, 2020		Over (Under)
	Actual	Actual	Budget	
1	\$ 0	\$ 0	\$ 0	\$ 0
2	0	0	0	0
3	0	0	0	0
4	0	0	0	0
5	0	0	0	0
6	0	0	0	0
<b>7 Transfer Totals to Page 3, Line 7</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

EXPENSES (List) OTHER: (Identify)					
8	Emergency Roof Repair	\$ 9,084	\$ 0	\$ 0	\$ 0
9		0	0	0	0
10		0	0	0	0
11		0	0	0	0
12		0	0	0	0
13		0	0	0	0
14		0	0	0	0
15		0	0	0	0
16		0	0	0	0
17		0	0	0	0
18		0	0	0	0
19		0	0	0	0
20		0	0	0	0
21		0	0	0	0
22		0	0	0	0
23		0	0	0	0
24		0	0	0	0
25		0	0	0	0
26		0	0	0	0
27		0	0	0	0
28		0	0	0	0
29		0	0	0	0
30		0	0	0	0
31		0	0	0	0
32		0	0	0	0
33		0	0	0	0
34		0	0	0	0
35		0	0	0	0
36		0	0	0	0
37		0	0	0	0
38		0	0	0	0
39		0	0	0	0
<b>40 Transfer Totals to Page 3, Line 32</b>		<b>\$ 9,084</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

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

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— EXHIBIT E — (continued)

Name REDROCK, OK, Lodge No. 4510

PAGE 4

**STATEMENT OF CLUB FUND REVENUE, EXPENSES  
AND COMPARISON TO APPROVED BUDGET**

REVENUE	Prior Year Ended March 31, 2019		Current Year Ended March 31, 2020	
	Actual	Actual	Budget	Over (Under)
1 Gross Profit (Page 8)	\$ 28,559	\$ 33,741	\$ 32,500	\$ 1,241
2 Facility Rental	0	0	0	0
3 Other (Totals from Page 4A)	0	0	0	0
<b>4 Total Revenue</b>	<b>\$ 28,559</b>	<b>\$ 33,741</b>	<b>\$ 32,500</b>	<b>\$ 1,241</b>
<b>EXPENSES (List)</b>				
5 Advertising	\$ 1,000	\$ 1,500	\$ 1,300	\$ 200
6 Alarm Service	0	0	0	0
7 Accounting	1,500	2,000	2,000	0
8 Legal	0	0	0	0
9 Auto Expense	0	0	0	0
10 Cash – Over/Short	75	180	100	80
11 Equipment Rental	0	0	0	0
12 Insurance	2,500	3,200	3,500	(300)
13 Janitorial Expenses	1,200	1,200	1,500	(300)
14 Laundry	0	0	0	0
15 Payroll Taxes	1,759	2,358	2,500	(142)
16 Licenses	0	0	0	0
17 Repairs & Maintenance	1,338	837	1,200	(363)
18 Salaries	0	0	0	0
19 Supplies – Bar	3,760	3,973	3,800	173
20 Supplies – Kitchen	4,304	6,944	5,500	1,444
21 Telephone	0	0	0	0
22 Utilities	4,887	5,320	5,500	(180)
23 Prorated Overhead	1,000	1,000	1,000	0
24 Other (Totals from page 4A)	5,981	3,635	4,000	(365)
<b>25 Total Expenses</b>	<b>\$ 29,304</b>	<b>\$ 32,147</b>	<b>\$ 31,900</b>	<b>\$ 247</b>
26 Increase (Decrease) Before Depreciation Expense	\$ (745)	\$ 1,594	\$ 600	\$ 994
27 Depreciation Expense	0	0	0	0
<b>INCREASE (DECREASE)</b>				
<b>28 Unrestricted Funds to Page 8, Schedule 2</b>	<b>\$ (745)</b>	<b>\$ 1,594</b>	<b>\$ 600</b>	<b>\$ 994</b>

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

— EXHIBIT E — (continued)

Name REDROCK, OK, Lodge No. 4510 PAGE 4A

**STATEMENT OF CLUB FUND REVENUE, EXPENSES  
AND COMPARISON TO APPROVED BUDGET**

REVENUE OTHER: (Identify)	Prior Year Ended March 31, 2019	Current Year Ended March 31, 2020		Over (Under)
	Actual	Actual	Budget	
1	\$ 0	\$ 0	\$ 0	\$ 0
2	0	0	0	0
3	0	0	0	0
4	0	0	0	0
5	0	0	0	0
6	0	0	0	0
<b>7 Transfer Totals to Page 4, Line 3</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

EXPENSES (List) OTHER: (Identify)				
8 Cooler Repair	\$ 5,981	\$ 0	\$ 0	\$ 0
9 License	0	3,635	4,000	(365)
10	0	0	0	0
11	0	0	0	0
12	0	0	0	0
13	0	0	0	0
14	0	0	0	0
15	0	0	0	0
16	0	0	0	0
17	0	0	0	0
18	0	0	0	0
19	0	0	0	0
20	0	0	0	0
21	0	0	0	0
22	0	0	0	0
23	0	0	0	0
24	0	0	0	0
25	0	0	0	0
26	0	0	0	0
27	0	0	0	0
28	0	0	0	0
29	0	0	0	0
30	0	0	0	0
31	0	0	0	0
32	0	0	0	0
33	0	0	0	0
34	0	0	0	0
35	0	0	0	0
36	0	0	0	0
37	0	0	0	0
38	0	0	0	0
39	0	0	0	0
<b>40 Transfer Totals to Page 4, Line 24</b>	<b>\$ 5,981</b>	<b>\$ 3,635</b>	<b>\$ 4,000</b>	<b>\$ (365)</b>

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— EXHIBIT E — (continued)

Name REDROCK, OK, Lodge No. 4510

**STATEMENT OF ALL RESTRICTED FUNDS REVENUE, EXPENSES  
AND COMPARISON TO MANDATORY BUDGETS**

Permanently \_\_\_\_\_ Temporarily  Restricted Funds (Check Type)  
(Use additional pages as necessary — Label 5A, 5B, etc.)

(Use a 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, Lines 27-28.**

**RESTRICTED ACCOUNT TITLE:**

<b>BINGO</b>		Prior Year Ended	Current Year Ended		
<b>REVENUE</b> (Identify)		March 31, 2019	Actual	Budget	Over (Under)
		Actual	Actual	Budget	Over (Under)
1	Bingo	\$ 165,797	\$ 187,229	\$ 190,000	\$ (2,771)
2		0	0	0	0
3		0	0	0	0
4		0	0	0	0
5		0	0	0	0
6		0	0	0	0
7		0	0	0	0
<b>8 Total Revenue</b>		<b>\$ 165,797</b>	<b>\$ 187,229</b>	<b>\$ 190,000</b>	<b>\$ (2,771)</b>

**EXPENSES** (List)

1	Bingo Prizes	\$ 68,654	\$ 79,075	\$ 70,000	\$ 9,075
2	Bingo Supplies	5,800	10,994	12,000	(1,006)
3	Committee Activities	10,227	6,318	7,000	(682)
4	Donation/Needy	0	5,219	6,000	(781)
5	Scholarships	19,067	12,000	11,500	500
6	Patriotic Programs	0	10,575	11,000	(425)
7	Public Relations	1,668	2,000	2,000	0
8	Public Service & Charity	37,037	30,050	30,000	50
9	Boy Scouts	0	1,800	2,500	(700)
10	Taxes & Fees	0	7,300	6,500	800
11	Teams — Little League	0	1,000	1,000	0
12	Veterans	6,500	9,607	9,000	607
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					
24					
<b>25 Total Expenses</b>		<b>\$ 148,953</b>	<b>\$ 175,938</b>	<b>\$ 168,500</b>	<b>\$ 7,438</b>
<b>26 Restricted Fund Increase (Decrease)</b>		<b>\$ 16,844</b>	<b>\$ 11,291</b>	<b>\$ 21,500</b>	<b>\$ (10,209)</b>

**DO NOT TRANSFER TO PAGE 8, SCHEDULE 2.**

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

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— EXHIBIT E — (continued)

Name REDROCK, OK, Lodge No. 4510 PAGE 6

**COMBINED STATEMENT OF CASH FLOW  
(ALL FUNDS)**

Year Ended March 31, 2020

**CASH FLOW FROM OPERATIONS ACTIVITIES:**

1 Lodge — Net Income (Loss) (Page 3)	\$ 667	
2 Club — Net Income (Loss) (Page 4)	1,594	
<b>3 TOTAL NET INCOME (LOSS)</b>		<b>\$ 2,261</b>

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

4 Depreciation	\$ 26,712	
5 Increase/Decrease in Prepaid Expenses	0	
6 Increase/Decrease in Inventories	(1,119)	
7 Increase/Decrease in Short Term Investments	1,070	
8 Increase/Decrease in Other Assets	0	
9 Increase/Decrease in Accounts Payable	(551)	
10 Increase/Decrease in Notes due within one year	0	
11 Increase/Decrease in Deferred Dues & Fees	(2,066)	
12 Increase/Decrease in Other Payables	0	
13 Increase/Decrease in Deferred Income	0	
14 Increase/Decrease in Restricted Funds	11,291	
15 Adjustments (Page 8) — attach explanation	0	
<b>16 TOTAL ADJUSTMENTS</b>		<b>\$ 35,337</b>
<b>17 NET CASH PROVIDED BY OPERATIONS</b>		<b>\$ 37,598</b>

**CASH FLOW INVESTING ACTIVITIES:**

18 Purchase of Personal Property	\$ (5,321)	
19 Reduction of Long Term Debt	(9,334)	
20 Purchase of Long Term Investment	(5,507)	
21 Capital Improvement to Building	(8,537)	
22 Adjustments — attach explanation	0	
<b>23 TOTAL INVESTING ACTIVITIES</b>		<b>\$ (28,699)</b>
<b>NET CHANGE IN CASH</b>		<b>\$ 8,899</b>
<b>24 CASH AVAILABLE — MARCH 31, 2019</b>		<b>\$ 36,307</b>
<b>25 CASH AVAILABLE — MARCH 31, 2020</b>		<b>\$ 45,206</b>

Explanation for Lines 15 & 22:

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

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Name REDROCK, OK, Lodge No. 4510

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended March 31, 2020**

**(Note A) - SIGNIFICANT ACCOUNTING POLICIES:**

Revenue Recognition:

All revenues, except dues and fees, are recognized and recorded on the accrual basis of accounting. Member dues and fees are recorded as revenues on the cash basis method unless received in a fiscal period prior to the period to which they apply. Dues and fees received in advance are recorded as current liabilities. Delinquent dues receivable are not recorded on the books.

Expense Recognition:

All expenses are recorded on the accrual basis of accounting.

Inventories:

Inventories are stated at cost on the first in, first out method.

Property Plant and Equipment:

Additions to property and equipment are recorded at cost. Detailed asset ledgers are not available for many items of equipment still in use. As a result, whenever old items or equipment are sold, or otherwise retired and specific identification of cost and accumulated depreciation are not known, it is the accounting policy to assume such items are fully depreciated. Otherwise, when equipment is sold, traded or retired, cost and accumulated depreciation are removed from the respective accounts and gain or loss on the transaction is recorded as other income. Depreciation is computed under the straight line methods for all assets over their estimated useful life.

Income Taxes:

No provision is made for income taxes as the Lodge is exempt from income taxation under a group ruling granted to the Grand Lodge of the Benevolent and Protective Order of Elks by the Internal Revenue Service. Group exemption number is 1156; Exempt under 501(c)(8).

**(Note B) - Restricted Funds:**

Total restricted funds at March 31, 2020 were \$13,579.

**(Note C) - Subsequent Event:**

On May 15, 2018, the mortgage held by Anytown Bank was paid in full.

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

— EXHIBIT E — (continued)

Name REDROCK, OK, Lodge No. 4510

PAGE 8

**SUPPLEMENTAL SCHEDULES**

Year Ended March 31, 2020

**SCHEDULE OF GROSS PROFIT: Schedule 1**

SALES:	BAR	Food Service	TOTAL
1 Food		\$ 44,397	\$ 44,397
2 Liquor, Beer & Wine	\$ 46,806		46,806
3 Other Bar Sales	9,659		9,659
4 Total Sales	\$ 56,465	\$ 44,397	\$ 100,862

**COST OF SALES:**

5 Inventory, April 1, 2019	\$ 2,960	\$ 903	\$ 3,863
6 Purchases	17,922	15,676	33,598
7 Total	20,882	16,579	37,461
8 Less: Inventory, March 31, 2020	3,942	1,040	4,982
9 Cost of Sales	16,940	15,539	32,479
<b>GROSS PROFIT ON SALES</b>	\$ 39,525	\$ 28,858	\$ 68,383

**DIRECT EXPENSES:**

10 Salaries & Wages	\$ 15,400	\$ 15,932	\$ 31,332
11 Employee Meals, at Cost	0	0	0
12 Payroll Taxes & Benefits	1,540	1,770	3,310
13 Music & Entertainment	0	0	0
14 Total Direct Expenses	16,940	17,702	34,642
<b>GROSS PROFIT (Total to Page 4)</b>	\$ 22,585	\$ 11,156	\$ 33,741

**RATIOS:**

15 Cost of Sales (% Total Sales)	30 %	35 %	32 %
16 Employee Expense (% of Total Sales)	30 %	40 %	34 %
17 Music & Entertainment (% of Total Sales)	%	%	%
18 Gross Profit	40 %	25 %	33 %

**RECONCILIATION—EQUITY ACCOUNT: Schedule 2**

19 Balance — March 31, 2019	\$ 636,807
20 Net Increase (Decrease), Page 3	667
21 Net Increase (Decrease), Page 4	1,594
22 Adjustments—Increase (Decrease), Attach Explanation	
23 Balance — March 31, 2020	\$ 639,068

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

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Name REDROCK, OK, Lodge No. 4510

**SUPPLEMENTAL INFORMATION**

Year Ended March 31, 2020

<b>DO YOU HAVE WORKERS COMPENSATION?</b> <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<b>DO YOU HAVE DIRECTORS AND OFFICERS COVERAGE?</b> <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
---	--

End of the year total Membership: <u>234</u>	Number of Life Members: <u>7</u>
Regular Members Dues: \$ <u>100.00</u>	Life Members Dues: \$ <u>50.00</u>
Reinstatement Fee: \$ <u>35.00</u>	Initiation Fee: \$ <u>50.00</u>

**NUMBER OF EMPLOYEES OTHER THAN LODGE OFFICERS:**

LODGE 7    BAR 2    FOOD SERVICE 5    OTHER \_\_\_\_\_

**LODGE OFFICERS RECEIVING PAY:**

SECRETARY?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	Amount \$ <u>3,000.00</u>
TREASURER?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	Amount \$ <u>2,000.00</u>
OTHER PAID OFFICERS? (List Below):	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<b>Amount of Compensation</b>
<u>Tiler</u>		\$ <u>75.00</u>
_____		\$ _____
_____		\$ _____
_____		\$ _____

**PAID POSITIONS AND AMOUNT OF COMPENSATION:**  
(Other than Bartenders, Food Service and Bar Employees)

<u>Office Assistant</u>	\$ <u>1,000.00</u>
<u>Lodge Janitor</u>	\$ <u>8,000.00</u>
_____	\$ _____
_____	\$ _____

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

Name REDROCK, OK, Lodge No. 4510 PAGE 10

**ACCOUNTANT'S RECOMMENDATIONS AND SUGGESTIONS**  
**For Improvement of Financial Records and Controls**  
**Year Ended March 31, 2020**

We have issued our opinion on the financial statements of Redrock Lodge #4510 as of March 31, 2020 for the year then ended, including supplemental information regarding the financial statements and accompanying footnotes and have issued our report thereon dated June 15, 2020. During the course of our examination we became aware of the following apparent weaknesses which deserve the attention of management:

1. It was noted the Chairman of the House Committee operates a separate checking account which is not controlled by the Lodge Treasurer. This account is non-interest bearing. Monthly bank statements are not being reconciled promptly and are permitted to accumulate. The need for such a separate account is doubtful. It is recommended this account be immediately closed and all funds be turned over to the Lodge Treasurer. House committee bills then should be approved on the Lodge floor and paid by the Lodge Treasurer.
2. When the books were delivered to the accountant, there were a number of transactions which had not been recorded and the bank statement had not been reconciled for two months. This in effect causes the accountant to have to spend additional time in his duties as the accountant. It is recommended the Treasurer produce a monthly statement so problems can be corrected monthly.
3. The cost of Labor in Food Services is not within the recommended 35%. It is recommended management study all bar and Food Service operations. At least monthly inventories should be taken by the Trustees or House Committee with a comparison with purchases and sales tickets. No inventories should be taken by those who handle the sale or preparation of food or drinks.
4. Procedures for obtaining change for Bingo night should have strong internal control methods to avoid possible losses of cash through errors. It is suggested that an individual not involved with Bingo Fund activities verify that petty cash is deposited with net bingo proceeds after each session to insure cash is properly accounted for. As a general rule ALL records, checkbooks and files should be kept on Lodge premises.
5. There should be a receipt for each expense. If you prepare your own receipt or invoice, have the vendor sign the receipt. All invoices should be stamped when received and when paid and the amounts paid.
6. Money should be deposited daily to reduce the risk of theft. Night depositories should be used on weekends and when large amounts of money have been obtained in any one day.

This report is issued solely for the information of the Lodge management. It should not be presented or quoted to anyone outside the Elks because of the possibility of misunderstandings of other persons who are not aware of the objectives and limitations of internal controls within the Elks Lodge. These comments are intended to be constructive suggestions for improvement in the effectiveness of your accounting and financial management.

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

**"FOR INTERNAL USE ONLY"**

**Rev. 2/2016**



**CLUB MANAGEMENT**

**GOVERNMENT**

Section 16.040, provides, “The club, social parlor or other facility established in connection with the Lodge, whether the Lodge is incorporated under the provisions of Section 16.020 or is unincorporated, shall be managed, supervised and controlled by one of the following methods: (To be determined by Local Lodge By-Laws)

- (a) By the Exalted Ruler, Esteemed Leading Knight, Esteemed Loyal Knight, Esteemed Lecturing Knight and the Trustees of the Lodge; *or*
- (b) By the Trustees of the Lodge; *or*
- (c) By a House Committee (of not fewer than 3 or more than 13) to be appointed by the Exalted Ruler of the Lodge (the exact number must be set forth in the [Local Lodge] By-Laws); *or*
- (d) By the Board of Directors of a corporation formed under Section 16.030.”

It is the responsibility of this selected group to supervise any and all of the activities of the club, social parlor or other facilities established in connection with the Lodge.

**MANAGEMENT**

The manager in a small Lodge might be the Exalted Ruler, Chairman of the Board of Trustees or Chairman of the House Committee. In larger Lodges it is probable the manager may be a professional hired by the House Committee.

**DUTIES OF MANAGER**

The duties of the manager are many and varied; selecting the staff, providing internal controls of funds and assets, establishing competent record keeping; supervising purchases, receiving, operations of the grill, restaurant and any entertainment. In addition he is responsible for the maintenance of equipment, sanitation and quarters.

In accordance with Grand Lodge Statute 16.040, 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 not later than 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.

**INTERNAL CONTROLS**

It is well known continuous attention must be paid to the entire operation of the bar and food services, due to careless employees, employees who are not trustworthy and those who are inefficient. Any of these may cause spillage, over-pouring of drinks, free drinks to friends, disappearances, improper recording of cash received, poor accounting practices and theft. Each of these create losses which could be avoided with proper internal controls.

Each club should have a recording cash register, with sufficient flexibility to record all sales by product; a numbered continuous tape locked within the cash register. Someone other than the waitress or bartender should be the only one with access to the locked tape.

These tapes should be checked with cash receipts turned in by the employee and be compared with bank deposits to insure proper amounts are received.

**BEVERAGE COST CONTROL**

Cost of goods sold in the bar must be controlled; steady portions sold, proper pricing, avoidance of over-pouring, spillage and proper purchasing. It is recommended the cost of goods sold does not exceed 35% of sales.

All purchasing should be under the direct control of the manager; payment of purchases should only be paid as authorized by him. The exception would be when the vendor requires cash on delivery. If this is the case, then the person paying the bill must have an itemized statement, compared with the delivery to determine if all items charged for are received; then a copy marked “paid” and signed by the delivery person.

— EXHIBIT F — (continued)

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The inventory stockroom should be controlled by someone other than the bartender. It should be securely locked at all times and only one person should have access for the purpose of storing and issuing the merchandise. A requisition in duplicate should be required for all merchandise issued.

A perpetual inventory record should be maintained and physical inventory should be taken at least monthly to be compared with the balances shown on the inventory cards. These inventory cards should be checked by the Local Lodge Audit Committee periodically and without prior notice.

### LABOR COSTS

Salaries and wages in the bar should never exceed 35% of sales. This can be controlled by a study of the hours the bar is open and the non-productive periods **having a minimum of employees on duty.**

### ENTERTAINMENT COST

We feel the cost of entertainment should be an expense where it is used. If you hold a dance and the Lodge receives the proceeds then the cost should be charged to the Lodge.

Entertainment in the bar should be charged to the bar as cost of goods sold and should not exceed 6% of the sales. If it is in the dining room then it should be charged to the dining room and again never more than 6% of the sales.

### FOOD SERVICE

Food Service is probably one of the most controversial and potentially financially dangerous of all the operations from a profit and loss standpoint.

Our Lodges should not enter this field without first making a thorough survey and evaluation before entering the food business. Is there a sufficient demand for these services? Are there enough member customers to provide a profit or at least a break even? Is a loss indicated which might be partially or completely overcome by increased beverage sales? Have you sufficiently checked the cost of entering this new venture? Would competition of local area restaurants affect the dining room or the Lodge in any way? Should we consider a full menu or just fast food type service? Are physical facilities adequate? Can we pass local sanitation requirements and have we sufficiently studied licensing regulations if such exist?

If your survey indicates food service may be profitable you must realize an efficient operation requires planning and very close supervision.

Close attention must be paid to the menu, **DO NOT TRY TO SERVE EVERYTHING**, keep your menu small with a minimum number of items. Prices must be developed to provide a profit and yet be attractive enough to bring your members in to dine with you.

It is very important that a monthly inventory be taken with a complete comparison between purchases, sales and ending inventory to be assured nothing is being given away or stolen.

Monthly reports of income and expenses with a strict inventory comparison should be presented to the house committee and reported to the Lodge. Prices must be adjusted as well as portions served to insure a profit in the dining room. Strict inventory control is a must if you are to have a profit.

Proper purchasing is a must, then you must be assured you have received what you ordered, that you receive what you are charged for and that it is stored properly to avoid spoilage. You must have someone in charge who is knowledgeable about food service; someone who will purchase quality merchandise at a favorable price. The grade, size, pack and quality must be proper and satisfactory for you to serve quality food.

As in the bar, cost of goods sold should never exceed 35% of sales and your labor should also not exceed 35%. Volunteers should be utilized whenever possible.

If you find your dining room is constantly losing money, then consideration should be given to closing your food service. Those who continually lose money are fooling themselves when they say they keep the dining room open to increase attendance in the bar!

The Lodge Audit Committee should refer to the G/L District Deputy Manual (Available on-line) for current operational check-off lists and internal inspection forms. These are the most current guides for Lodge compliance.

— EXHIBIT G —

<b>GUIDE FOR REVIEW BY DDGER AUDITOR</b>				
— AUDIT COMMITTEE REVIEW —		YES	NO	N/A
<b>1.</b>	Did the Audit Committee perform its financial reviews in July, October and January and file a written report with the Lodge as required by Section 13.040(i) of the Statutes?			
<b>2.</b>	Did the Audit Committee engage the Accountant for the Annual Financial Report well in advance of March 31st?			
<b>2a.</b>	Was a signed "Accountant Contract" completed and on file for the year ending March 31st?			
<b>3.</b>	Did the Audit Committee deliver the Annual Financial Report to the Lodge by June 15th?			
<b>4.</b>	Did the Audit Committee review and sign the Annual Financial Report Transmittal letter and send to its Area A&A Committeeman prior to June 30th?			
— GENERAL REVIEW —		YES	NO	N/A
<b>5.</b>	Did the Lodge take appropriate action on the suggestions or recommendations made by the accountant?			
<b>6.</b>	Did the Lodge take appropriate action on the suggestions or recommendations made by the Area Member of the Grand Lodge Auditing and Accounting Committee?			
<b>7.</b>	Does the Lodge use, and are the books set up with, the "Chart of Accounts"?			
<b>8.</b>	Were all entities of the Lodge, club, dining room, health room, swimming pool, golf course, bingo, separate corporations, etc. included in the Combined Balance Sheet?			
<b>9.</b>	Are budgets prepared for each entity (Lodge, club, dining room, health room, swimming pool, golf course, bingo, separate corporations, etc.)?			
<b>10.</b>	Does the Lodge use an adequate bookkeeping system? Manual <input type="checkbox"/> Computerized <input type="checkbox"/> Computer Services Firm <input type="checkbox"/>			
<b>11.</b>	Are postings performed currently and cash receipts records current?			
<b>12.</b>	Are regular monthly financial reports or statements reported to the membership?			
<b>13.</b>	Do monthly financial statements include a budget comparison? <i>If not, explain on last page what action is taken to compare actual revenue and expenses to budgeted amounts.</i>			
<b>14.</b>	Are expenditures, which are not in the budget, cleared through the Board of Trustees before being presented to the membership? (Sec. 12.070)			
<b>15.</b>	Does the Exalted Ruler know that all expenditures not covered by the budget have to be presented to the Board of Trustees first, and then to the membership?			
<b>16.</b>	Is there evidence that decisions are made to adjust operations in order to prevent year-end losses?			
<b>17.</b>	Are 941 and 940 and state payroll reports and payments current?			
<b>18.</b>	Are all Business/Occupation and Sales Tax Reports and payments current?			
<b>19.</b>	Are all property tax reports and payments current (where applicable)?			
<b>20.</b>	Do W2's balance with 941 reports?			
<b>21.</b>	Are all 1099's reporting current?			
<b>22.</b>	Have tax forms 990 and 990-T been filed and are they current?			
<b>23.</b>	Are bank reconciliations and investment reconciliations performed monthly and current?			
<b>24.</b>	Are balances in each account kept to a reasonable maximum amount?			
<b>25.</b>	Are proper payroll taxes being paid on all employees?			
<b>25a.</b>	Are tip records maintained?			

**— EXHIBIT G — (continued)**

— TRUSTEE AND CLUB MANAGEMENT —		YES	NO	N/A
26.	Do the Trustees have a current inventory of fixed assets?			
27.	If the Lodge has investment funds (stocks, bonds, CD's), does it appear that they are well-managed by the Trustees with no recent significant losses?			
28.	Is the interest from investment accounts posted to the books of record on a current/quarterly basis?			
29.	In reviewing the records of cash overages/shortages (club, dining room, etc.), does the Lodge have an adequate policy for handling cash shortages?			
30.	Is a voucher system used as authorization to pay bills for the Lodge and the club?			
	Are vouchers signed by the Exalted Ruler and Secretary as required by Section 12.060 of the Statutes?			
31.	After the ER and Secretary approve vouchers, are all bills then presented to the Board of Directors or Lodge Trustees for review and approval? (NOTE: ALL bills are to be vouchered, including recurring expenses such as utilities, mortgage, etc.)			
32.	Are all bills read at the Lodge meeting and approved by the membership?			
33.	Does the Chairman of the Club Management body review all club-related bills before they go to the Lodge Secretary?			
34.	Are inventories taken by individuals other than the bartenders, steward or chef?			
35.	a. Are register tapes checked daily against cash turned in, by someone other than the cashier or bartender?			
	b. Are tapes/receipts turned over to the Lodge bookkeeper?			
36.	Does the Club Management body recap all club-related revenues and disbursements monthly?			
37.	When was the last date our insurance was reviewed? _____			
38.	The insurance review was made by the Board of Trustees and found: Adequate <input type="checkbox"/> Inadequate <input type="checkbox"/>			
39.	Has the Lodge obtained free appraisal from Grand Lodge Insurance Department? Yes <input type="checkbox"/> No <input type="checkbox"/>			
40.	Does the Lodge carry any other voluntary insurance programs?			
	Directors and Officers/Employment Practices	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
	Workers Compensation/Volunteer Coverage	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
	Automobile insurance	Yes <input type="checkbox"/>	No <input type="checkbox"/>	
	Other insurance: _____	Type: _____		
— SECRETARY REVIEW —		YES	NO	N/A
41.	Are all funds submitted directly to the Secretary? (This includes funds from all Lodge Committees, House Operations, Refunds, Bank Transfers, etc.)			
42.	Are all funds entered into the cash receipts book? (If not, explain on last page)			
43.	Does the Secretary issue a receipt for all funds submitted to him?			
44.	Does the Secretary submit funds to the Treasurer on a timely basis?			
45.	Does the Secretary, when submitting funds, designate the accounts affected?			
46.	Does the Secretary properly report, in detail, "Receipts of the Session" at the Lodge meetings – using the Cash records as the basis for the data?			
47.	When the Secretary receives any cash, does he make the proper entries in his cash records, designating what/where the cash is from?			
48.	Does the Secretary receive all Committee reports with funds and bills attached, in a timely manner? (This includes Lodge Committees, House Committee).			
49.	a. Is a gross income and expense report for each fundraising or special event provided by the Committee Chairperson?			
	b. Is it reported within two weeks after each event?			
50.	Do the various committees understand that they are not to make any cash payments (will be done through the Voucher System)?			
51.	Are these reports reconciled by the Secretary or Treasurer?			

**— EXHIBIT G — (continued)**

52.	Are the reports retained by the Secretary for use in conducting the annual audit, and available for next year's committee?			
53.	Review and verify all employee personnel records for: a. Are I-9 Forms complete with Driver's License, Social Security Card and Resident Alien card if necessary?			
	b. Verify that all employees have signed the Harassment Policy?			
	c. Confidentiality Agreement signed?			
	d. At Will Employment Agreement (where applicable)?			
54.	Have the Lodge Officers and House Committee members signed the Harassment Policy?			
55.	Does the Lodge retain employment tax records for four (4) years and income tax returns and records for three (3) years?			
56.	Does the Secretary maintain security of all records (G.L.S. Section 16.110)?			
57.	Review and verify that Restricted Fund Records are complete and funds are being disbursed to the appropriate recipients.			
58.	Is the dues data posted properly, and on a current basis, to the individual Membership Records? (Whether manual or computerized system)			
59.	Is the dues information posted correctly to the Secretary's Cash Receipts Book?			
60.	Does the House Committee submit proper records to the Secretary related to bar operations (Register tapes, proper allocation of all register readings, etc.)?			
<b>— TREASURER REVIEW —</b>		<b>YES</b>	<b>NO</b>	<b>N/A</b>
61.	Does the Lodge Treasurer serve as Treasurer of all Committees regardless of what committee is involved?			
62.	Does the Lodge Treasurer sign all checks for all accounts as required by Section 12.060 of the Statutes?			
63.	Does the Treasurer issue a receipt to the Secretary for all cash receipts received?			
64.	Does the Treasurer maintain the books of record; Cash Receipts – Disbursement Journal and General Ledger?			
65.	Are the receipts, and disbursements for the year, along with the budget comparison presented to the Trustees (or budget committee), in Chart of Accounts order, for the budget preparation?			
66.	Do revenues from the following entries compare with source document and code number of the Chart of Accounts and are they posted properly?			
67.	Have the cash receipts and cash disbursements been posted in a current manner, and to the proper accounts?			
68.	Are separate controls set up for Unrelated Income activities and Restricted accounts?			
69.	Has Interest earned, as noted on bank statements, or from investments, been entered in the cash receipts journal?			
70.	Do the deposits reconcile with both the Secretary and Treasurer's receipts?			
71.	Was the Cash Receipts Journal correctly totaled and balanced?			
72.	Were entries from the cash journals correctly posted to the General Ledger?			
73.	Trace revenues entry to the General Ledger, to the entry in the Cash Journal, and to the bank deposit slip; was each entry correct?			
74.	Do check amounts agree with invoices?			
75.	Were the latest monthly Cash Disbursement Journals properly posted to the General Ledger?			
76.	Were the statements from each bank or Depository reconciled monthly?			
77.	Were all tax payments, payroll, sales, etc., paid when due? (Note section on taxes)			
78.	Are the Lodge records maintained utilizing the Uniform Chart of Accounts as required by Section 13.040?			

— EXHIBIT H —

**Sample General Journal Entries**

**Definition:** A Journal Entry is a manual adjustment to the Balance Sheet or Profit and Loss Statements that does not normally affect the recording of Income or Disbursements. Journal entries can be a simple Debit to one account and off-setting Credit to another account. Journal entries can also become very complicated and require the assistance of a qualified Accountant.

1 I want to record monthly or annual Depreciation costs on the building of \$1000.00.

Acct. 39901 Depreciation	Debit \$1000.00
Acct. 15200 Accumulated Depreciation	Credit \$1000.00

To record depreciation expense.

2 I found that two prior years Depreciation Expense had never been recorded in the books in the amount of \$10000.00 on equipment.

Acct. 29900 Ending Equity	Debit \$10000.00
Acct. 15600 Accumulated Depreciation	Credit \$10000.00

To record prior period depreciation expense. (Caution should be used when posting anything to the Equity Account. Consult with your Accountant.)

3 I want to record Pre-paid Dues as current Income in the amount of \$24000.00

Acct. 28100 Deferred Dues	Debit \$24000.00
Acct. 30101 Members Dues	Credit \$24,000.00

To record current year Dues.

4 I want to correct a mortgage payment posted to interest expense that contained the principle portion of the note in the amount of \$600.00.

Acct. 23200 Mortgage Payable	Debit \$600.00
Acct. 34300 Interest	Credit \$600.00

To correct principle portion of mortgage payment.

5 I collected \$900.00 in March for a June banquet. I posted the funds to Acct. 21100 Pre-Paid Customer Deposits. I now want to record the deposit as Special Events Income.

Acct. 21100 Pre-Paid Customer Deposit	Debit \$900.00
Acct. 50103 Special Events Food	Credit \$900.00

To record customer deposit as current income.

6 I want to give the kids hotdogs from the kitchen for a swimming party at a cost of \$85.00.

Acct. 39012 Swimming Pool	Debit \$85.00
Acct. 51500 Food Purchases	Credit \$85.00

To record the use of hot dogs at the swimming pool.

7 I want to give bar sodas away at the kids Christmas party. Cost to the bar \$150.00.

Acct. 93105 Kids Christmas	Debit \$150.00
Acct. 41503 Bar Supplies/Sundries	Credit \$150.00

To transfer bar inventory cost to kids Christmas party.

8 At the end of the fiscal year I want to close Charity Income to the Balance Sheet Restricted Account. Elks National Foundation \$6000.00, State Major Project \$8000.00 and Other Charities \$8000.00.

Acct. 90201 Elks National Foundation	Debit \$6000.00
Acct. 90202 State Major Project	Debit \$8000.00
Acct. 90205 Other Charities	Debit \$8000.00
Acct. 29013 Elks National Foundation	Credit \$6000.00
Acct. 29015 Major Project	Credit \$8000.00
Acct. 29018 Other Charities	Credit \$8000.00

To close Charity Income accounts to the Balance Sheet Restricted Funds

**— EXHIBIT H — (continued)**

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- 9 At the end of the fiscal year I want to close Charity Expense Accounts to the Balance Sheet Restricted Funds Account. Elks National Foundation \$6000.00, State Major Project \$7500.00, Dictionary Project \$3000.00, Kids Christmas \$500.00 and Veterans Activities \$4000.00.

Acct. 29013 Elks National Foundation	Debit \$6000.00
Acct. 29015 Major Projects	Debit \$7500.00
Acct. 29018 Other Charities	Debit \$7500.00
Acct. 92201 Elks National Foundation	Credit \$6000.00
Acct. 92202 State Major Project	Credit \$7500.00
Acct. 93101 Dictionary Project	Credit \$3000.00
Acct. 93105 Kids Christmas	Credit \$500.00
Acct. 93120 Veteran's Activities	Credit \$4000.00

To close Charity activities expenses to the Balance Sheet Restricted Funds

- 10 We received \$25,000.00 unrestricted grant which was posted to Account 91050 Temporary Restricted Income, and now we want to restrict its use for a future project before we close the books for the year. A lodge vote restricted the funds.

Acct. 9150 Temp. Restricted Lodge Grant	Debit \$25000.00
Acct. 29020 Temp. Restricted Lodge Funds	Credit \$25000.00

To transfer Lodge Grant funds to a future use fund by Lodge vote.

- 11 By Lodge vote we used \$15000.00 of Temp. Lodge Restricted Funds Account 28900 to repair the parking lot. We now need to recognize the funds as current income.

Acct. 29020 Temp. Restricted Lodge Funds	Debit \$15000.00
Acct. 91051 Temp. Restricted Lodge Transfer	Credit \$15000.00

To record the use of Temp. Restricted Lodge Funds as current Income.

- 12 We have voted that \$10000.00 set aside in the Account 28900 Temp. Restricted Lodge Fund is no longer need for the intended purpose and we can now use the funds as general operating funds.

Acct. 29020 Temp. Restricted Lodge Funds	Debit \$10000.00
Acct. 91051 Temp. Restricted Lodge Transfer	Credit \$10000.00

To record the release of restricted funds for Lodge operations and current Income.

- 13 Over the years we have not properly balanced our Permanent Restricted Funds with available Cash Accounts. We found an out of balance of \$15000.00. The Lodge has investigated and voted that the books should be adjusted before the end of the fiscal year as a prior period adjustment.

Acct. 29110 Permanent Restricted Funds	Debit \$15000.00
Acct. 29900 Ending Equity	Credit \$15000.00

To balance Permanent Restricted Funds with actual cash account as per Lodge vote on \_\_\_\_\_. (caution: consult your accountant on any entry made to the Ending Equity Account.)

# IN-HOUSE FINANCIAL REPORT REQUEST

## APPLICATION FOR AUTHORIZATION TO PREPARE ANNUAL FINANCIAL REPORT IN-HOUSE TO BE SUBMITTED NO LATER THAN DECEMBER 31

*(ONLY SEND TO AREA MEMBER OF GRAND LODGE AUDITING & ACCOUNTING COMMITTEE)*

LODGE NAME AND NUMBER: \_\_\_\_\_

MAILING ADDRESS: \_\_\_\_\_

In accordance with Section 13.040, paragraph *(j)* **1, 2, 3 and 4**, Laws of the Order, we are requesting authorization to prepare the Annual Financial Report using In-Lodge personnel under the supervision of the Lodge Auditing and Accounting Committee for the fiscal year ending March 31st \_\_\_\_\_. *(The Lodge's IN-HOUSE REQUEST can only be granted with the approval of their Grand Lodge State/Area Sponsor(s) via their Area member of the Grand Lodge Auditing and Accounting Committee.)* After a Lodge has annually requested three In-House preparations of the Annual Financial Report, then in the fourth year the report must be prepared by a licensed independent accountant.

**Please answer all of the following questions:**

1. Does the Lodge Auditing and Accounting Committee fully understand the minimum requirements contained in Grand Lodge Statutes, Section 13.040(j)? (If you answer "No," please explain).
2. Is the Lodge Auditing and Accounting Committee prepared to supervise the preparation of the Annual Financial Report as required by Grand Lodge Statutes, Section 13.040(j)? (If you answer "No," please explain).
3. Explain the reason(s) why the Lodge is applying for permission to prepare their Annual Financial Report In-House.
4. Please give the name, address, telephone number and e-mail address of the person to prepare the Annual Financial Report.
5. Has the request to prepare the Annual Financial Report In-House been presented to the Lodge Membership at a regular meeting and been approved by them? \_\_\_\_\_
6. Please attach a current balance sheet, complete profit and loss statement, and all budgets as prepared internally, from which the Annual Financial Report will be prepared.

\_\_\_\_\_  
*(Date)*

\_\_\_\_\_  
*(Chairperson Lodge Auditing & Accounting Committee)*

\_\_\_\_\_  
*(Date)*

\_\_\_\_\_  
*(Exalted Ruler)*

\_\_\_\_\_  
*(Date)*

\_\_\_\_\_  
*(Area Grand Lodge Auditing & Accounting Committee)*

\_\_\_\_\_  
*(Date)*

\_\_\_\_\_  
*(State Sponsor)*



— EXHIBIT J —

**GLOSSARY OF TERMS COMMONLY USED BY ELKS LODGES**

<b>1 Accounting Period:</b>	Elks year April 1–March 31. Can be a month or quarterly period for internal review.
<b>2 Accrual Accounting:</b>	A method of accounting where income is reported in the period earned and expenses are reported in the period incurred as opposed to income and expenses reported as received and paid.
<b>3 Assets:</b>	Any property with a value. This could be the purchase price or fair market value.
<b>4 Balance Sheet:</b>	A form of reporting the financial condition of a Lodge on a given date. Most beneficial if prepared monthly and must be prepared annually. The report consists of Assets, Liabilities and Equity. Assets=Liabilities+Equity
<b>5 Balance Sheet Assets:</b>	Consists of Cash, Accounts Receivable, Fixed Assets, Investments and Other Assets. Accumulated Depreciation decreases the value of Fixed Assets.
<b>6 Balance Sheet Liabilities:</b>	Consists of Accounts Payables, Other Payables, Mortgage & Notes Payable, Deferred Income (Per-Paid Dues).
<b>7 Balance Sheet Equity:</b>	Consists of Permanently & Temporary Restricted Funds and Owners Equity.
<b>8 Budget Integrity:</b>	Each Department (Class) budget is designed to create sufficient Income to cover Expenses and show an annual profit. Negative budgeting is not an option.
<b>9 Budget-Operating:</b>	The planning document to guide each Department (Class) in maintaining financial integrity.
<b>10 Budget Review:</b>	The process of periodically comparing actual Income and Expenses with approved budgets to insure financial integrity.
<b>11 Budget-Capital:</b>	A long range business plan for the replacement of obsolete assets, major repairs and improvements. This plan should be at least a five year plan. Funding comes from profits of the Departments (Class) operations and Lodge directed Temporary Restricted Funds.
<b>12 Cash Accounting:</b>	Income and expenses are reported when received and paid.
<b>13 Cash Flow:</b>	Cash Flow is the relationship between currently generated Income and actual Expenses for the total operation.
<b>14 Cash Flow-Negative:</b>	Excess current Expenses over Current Income. Continued operating with negative Cash Flow will render a Lodge insolvent.
<b>15 Cash Flow-Positive:</b>	Should be the goal of every Department (Class). Provides funds for the Capital Budget.
<b>16 Charity Fund Raising:</b>	Charity Fund Raising is a function of the Temporary Restricted Funds. If an activity is advertised as a Charity Event, the gross proceeds must be deposited in the Charity Bank and credited to Temporary Restricted Funds. Expending the Funds for the Charity will result in a credit to the Charity Bank and Debit to Temporary Restricted Funds in the Chart of Accounts.
<b>17 Chart of Accounts:</b>	A mandatory listing of account numbers and titles for consistent recording of all business transactions which create necessary management financial statements.
<b>18 Capitalize:</b>	To treat an expenditure as a property item rather than to expense it in the current fiscal year.
<b>19 Corporation:</b>	A business entity owned by shareholders that is treated as a separate entity. The shareholders of the corporation do not have personal liability.
<b>20 Corporation Directors:</b>	Per Grand Lodge Statue 16.020 is comprised of the 4 chair officers and the board of trustees.
<b>21 Cost of Goods Sold [COGS]:</b>	Simply means the cost of the items sold. To calculate the Cost of Goods Sold you must have a Beginning Inventory (at cost price), plus purchases for the period, minus the Ending Inventory (at cost price). The dates for the Cost of Goods Sold must be the same as the dates included in the period of sales.

**— EXHIBIT J — (continued)**

<b>22 Cost of Good Percentages:</b>	Cost is the relative percentage of sales for the same period. Calculated as: Cost divided by Sales. Cost \$6,000 divided by Sales \$18,000 equals 33% Product Cost.
<b>23 Cost of Labor Percentage:</b>	Cost of Labor is the relative percent of Labor to Sales. Calculated as Total Cost of Labor divided by Sales for the same period of time. Labor \$6,000 divided by Sales \$18,000 equals 33% Labor Cost.
<b>24 Cost Percentage Goals:</b>	Cost of Goods Sold and Labor Cost should not exceed 35% each of the Sales for the Department. Maintaining these goals will most likely keep the Lodge in a positive Cash Flow.
<b>25 Deferred Income:</b>	Advance payments received for an event to take place in the future, especially after the close of a current Fiscal Year. These funds are a Liability until the event actually happens. Very useful for any type of pre-scheduled events such as bowling and golf tournaments, hall rentals and security deposits. These deposits become Income on the day of the event by Journal entry “Debit Deferred Income and Credit the Activity Income Account. Refunds from this account are neither Income or Expense.
<b>26 Depreciation:</b>	The pro-rated depletion of property value over its useful life. Accounting guidelines apply to the depreciable life of property.
<b>27 Depreciable Property:</b>	Property of a substantial value and has a useful life of more than one year.
<b>28 Departments (Class):</b>	A Department (Class) is a logical designation of Income and Expenses used to create Profit and Loss Statements. Example, Lodge, Bar, Food, RV Park, Fitness Center and Rental Activities.
<b>29 Employee:</b>	An individual whose work is performed under the control or direction of the employing Lodge.
<b>30 Employee Compensation:</b>	Payments made by the employer to individual who perform work under the employers supervision.
<b>31 Employment Taxes:</b>	Mandated amounts paid to government agencies based on employee compensation. The taxes can be for the benefit of the employee or the government agency.
<b>32 Fair Market Value:</b>	The value of property established for the price a willing buyer would pay a willing seller.
<b>33 Fiduciary:</b>	An individual with the discretionary authority to manage another’s property. Also an individual who holds assets in trust in which another person has an interest.
<b>34 Fiduciary Responsible Person:</b>	The manager of assets assigned by a legal trust and/or implied trust. Failure to exercise fiduciary responsibility could cause the individual to become personally liable for the value of the asset.
<b>35 Financial Charges:</b>	Interest or other charges paid on purchases made on a deferred-payment plan.
<b>36 Fiscal Year:</b>	The twelve month period starting April 1 and ending March 31 the next year. (Elks Fiscal Year)
<b>37 Financial Integrity:</b>	Each Department (Class) must be able to financially stand alone without dependance on other Revenue and should show some profit.
<b>38 Independent Contractor:</b>	A person whose work hours and procedures are not controlled by another and who is therefore deemed to be self-employed. Strict guidelines for this Classification are prescribed by IRS and State Authorities.
<b>39 IRS Forms 990, 990EZ, 990N &amp; 990T:</b>	Non-Profit organization tax returns which must be filed annually and by the due date prescribed by IRS.
<b>40 Pre-Paid Expenses:</b>	Payments made for an expense in advance of the due date. This account is used at or near the end of a fiscal year when the actual expense will apply to the new fiscal year and budget year. Example, advance payment for meetings and conventions. The expense is recorded by a journal entry “Debit Expense Account and Credit Pre-Paid Expenses”. This Account is an Asset on the Balance Sheet.

**— EXHIBIT J — (continued)**

<b>41 Profit &amp; Loss Statements:</b>	A financial statement by operating departments (class) that shows the profitability of a major cost center in the total Lodge operation. Reports are based on a period of time, usually monthly but always annually. This is the best tool to evaluate the financial health of a department (class).
<b>42 Profit &amp; Loss Departments-Non-Inventory Sales:</b>	Consists of Income from all Activity sources, less expenses appropriately allocated to that activity. Net results should be a profit.
<b>43 Profit &amp; Loss Department with Inventory as source of income:</b>	Consists of Sales (less Sales Tax) from all sources. Cost of Goods Sold and Overhead Operating Expenses. The net result should be a Net-Profit.
<b>44 Profit Motive:</b>	Each Department in a Lodge must strive to obtain a profit. Profits are required for future replacements and improvements. Failure to reach a profit goal will eventually render the Lodge insolvent.
<b>45 Restricted Funds Temporary:</b>	These are donated funds with a donor designated purpose and with a relatively short holding period by the Lodge until they are disbursed as directed. They are to be placed in a restricted account and not co-mingled with or available for general Lodge use. G/L Statutes Sec. 16.011 applies to management of these funds. These Funds become part of the Equity section of the Balance Sheet. ENF, ENF Grants, State Major Projects, Scholarships and Bingo are examples of Restricted Funds Temporary.
<b>46 Restricted Funds Permanent:</b>	These are special purpose funds designated by the Donor, Grantors or a Bequests. Many times a legal documents state the purpose and duration. Lodges have a fiduciary duty to follow the dictates of the Donor. Diversion of these funds can be made only by the Donor and in some cases a court order. Legal documents will usually dictate how the fund is to be dissolved at the end of the purpose. These funds are part of the Equity Section of the Balance Sheet. Other strict enforcement standards are outlined in G/L Statutes Sec. 16.011.
<b>47 Unrestricted Funds:</b>	These funds are donations from members or the public with no use restrictions. They may or may not even require special handling other than reportable income. The funds could become Temp. Restricted at the discretion of the Lodge by majority vote, by By-Law or by the management body responsible for excess funds. Once the decision is made, the funds are reportable as Equity on the Balance Sheet and available for the designated purposes. The funds become Income and expense to the Lodge only when used. The funds can be diverted to other purposes only by the same authority establishing the Fund.
<b>48 Restricted Fund Earnings:</b>	The earnings from held Restricted Investments are disbursed in accordance with the Donor's wishes or legal documents. Should no instructions be imposed, earnings should disbursed by majority vote of the Lodge.
<b>49 Restricted Fund Security:</b>	Restricted Funds are Equity on the Balance Sheet. It is imperative that an identical amount of Cash Savings or Investment Accounts reconcile with the Restricted Fund balances. Investors should not place the fund at undo risk.
<b>50 Tangible Personal Property:</b>	Physical property that can be moved, such as furniture, computers and equipment. Some State Agencies tax these items annually as a Personal Property Tax. Always purge your inventory to delete obsolete or unserviceable personal property.
<b>51 Tax Status:</b>	<p>Elks Lodges are designated Non-Profit Entities as long as strict IRS Tax Code Sections are adhered to.</p> <p><b>a. IRS Code Sec. 501 (C)(8).</b> A Fraternal Lodge operating authority under which all Elks Lodges must annually report their activities on IRS Form 990 and 990T.</p> <p><b>b. Group # 1156</b> is the authority established for control of Elks Lodges and managed by Grand Lodge Order of Elks.</p> <p><b>c. IRS Code Sec. 501 (C)(3).</b> Non-Profit Charities is a special authority approved by IRS upon application and the granted by the Grand Lodge Order of Elks.</p>

**— EXHIBIT J — (continued)**

	<i>d. IRS Code Sec. 501 (C)(2).</i> Non-Profit Holding Company. This status can be established to hold title to Lodge properties. Grand Lodge Order of Elks must approve the use of a holding company. Profit from rents must be distributed to the parent Lodge at least once a year. Holding of excess fund is prohibited. No other business activities can be permitted to operate in a Holding Company.																		
<b>52 Tax Reporting:</b>	All Lodges must file annual Tax Returns on the appropriate IRS and State Tax Forms by the due date for the return. Failing to comply could result in serious financial penalties and could cause the Lodge to loose its' non-profit status.																		
<b>53 Types of Financial Statements</b>	<p>An audit is an inspection and verification of accounting records to ensure the accuracy and consistency of accounting practices.</p> <p><b>a. Internal Review:</b> An action by the Lodge Audit Committee to verify records and assist management in correcting accounts through-out the accounting year.</p> <p><b>b. Independent Accountant:</b> The hiring of an Accountant who has no day to day involvement in your daily accounting and reporting activities. An independent and objective review of your accounting practices.</p> <p><b>c. An Audit, Review, Compilation and In-House Reports</b> are detailed in chapter 9 of this manual and Sec. 13.040 of the G/L Statutes. Compilation and In-House Reports are of the least value to management because they provide very little record verification and management assistance.</p>																		
<b>54 Unrelated Business Income:</b>	Net Income generated from activities operated for the benefit of non-members may be classified as Unrelated Business Income. All the Income could be taxed by the IRS if improperly accounted for.																		
<b>55 Unrelated Business Income-Records:</b>	The mandatory Chart ofAccounts contains accounts to collect sales information from Departments (Class) that potentially could sell goods or services to non-members.																		
<b>56 Unrelated Business Income-Expense allocation:</b>	Each Lodge should develop an expense allocation system to reduce Net-Income to its lowest taxable amount. The application must be consistent and supportable in the event of an IRS Audit. The allocation plan should be well documented and approved by the management body of the Lodge. The best defence it to sell goods and services only to Members.																		
<b>57 Wage and Hour Laws:</b>	Wage and Hours rules are published by the US Department of Labor (Fair Labor Standards Act) and applicable State Laws. All classifications of Elks employment are subject to these Laws and Rules.																		
<b>58 Working Capital:</b>	Working Capital is the money you have available to operate the Lodge activities at the start of an Fiscal Year. Negative Working Capital means that there is insufficient money available to pay current bills and you are in danger of insolvency.																		
<b>59 Working Capital Calculation:</b>	<table> <tr> <td>Example:</td> <td>Current Assets</td> <td>\$ 240,000.00</td> </tr> <tr> <td></td> <td>Plus long-term investments</td> <td>50,000.00</td> </tr> <tr> <td></td> <td>Less current liabilities</td> <td>(95,000.00)</td> </tr> <tr> <td></td> <td>Less other deferred income</td> <td>( 5,000.00)</td> </tr> <tr> <td></td> <td>Less all restricted funds</td> <td><u>(125,000.00)</u></td> </tr> <tr> <td></td> <td>Working capital</td> <td>\$ 65,000.00</td> </tr> </table>	Example:	Current Assets	\$ 240,000.00		Plus long-term investments	50,000.00		Less current liabilities	(95,000.00)		Less other deferred income	( 5,000.00)		Less all restricted funds	<u>(125,000.00)</u>		Working capital	\$ 65,000.00
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**A & A**



*Elks Care — Elks Share*