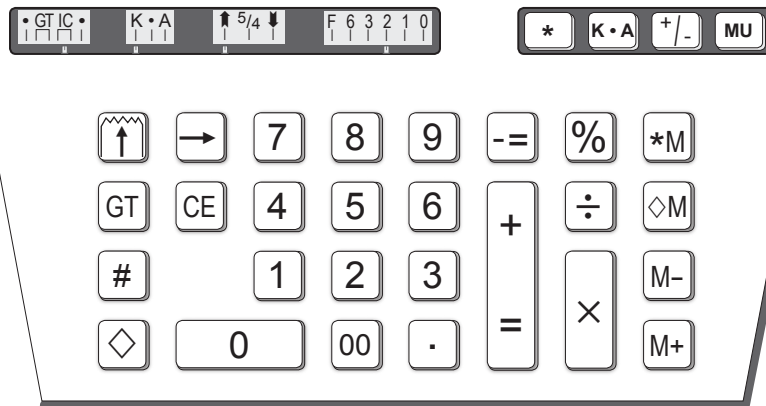


# AUDITING AND ACCOUNTING MANUAL



**Benevolent and Protective Order of Elks  
of the  
United States of America**





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

*A Fraternal Organization*

— **FOREWORD** —

Each Subordinate 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 Subordinate 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.

The 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 the Manual will assist the Lodge Officers and others to understand and act on such recommendations.

It must be recognized that no one publication can answer all questions that may arise nor solve all problems that will be encountered. The size and diversity of facilities and operations of a Lodge often determine accounting and financial management needs. This Manual is intended to apply to most situations in the average Lodge.

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.

The masculine words appearing herein shall include the feminine gender as circumstances require.

**This revised manual replaces both the Auditing, Accounting and Management Manual (Code 510100) and Subordinate Lodge Auditing Committee Manual (Code 51000) and all previous revisions.**

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— CHAPTER 1 —

**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 audit.

**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 should 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 should 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. A true cash method records income when cash is received and expenses when paid. Purchases of fixed assets are recorded as expense, inventory changes are not considered, and fixed assets and indebtedness are not recorded.
- 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. 211-00 and 282-00. See also Section 1-111 of this Manual.

**1-106. Bookkeeping System:** Each Lodge must decide to use one of the following systems. The average business entity uses the double-entry system which is recommended for all Lodges. The guidance contained in this Manual generally applies to the double-entry system.

- a. **Single-Entry System:** Although it is the simplest to maintain, it lacks assurance of accuracy and should not be used by any Lodge that has gross annual income exceeding \$25,000. It involves the use of a daily summary of cash receipts, a monthly summary of cash receipts, and a monthly summary of cash disbursements. Each receipt and disbursement must be identified by the appropriate account number. A General Ledger should be used to record the monthly totals.
- b. **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. Cash Receipts Journal:** This Journal reflects the source of all income by account number. It may be maintained by the Secretary or Treasurer. As required by Section 12.050 of the Statutes, the Secretary must keep records of **all** monies received. For this purpose, the Secretary is encouraged to use the SECRETARY'S CASH BOOK, available from the Grand Secretary. Illustration 1-107 shows how this may be used as the Cash Receipts Journal. If the Treasurer has primary responsibility for the Lodge books of account, he may wish to maintain his own Cash Receipts Journal. There must be a Cash Receipts Journal for each checking account. Thus it is in the interest of the Lodge to keep the number of checking accounts to a minimum. At end of month the journal entries are totaled; the summary total of all receipts is posted to the General Ledger as a debit to the checking account; and the summary total of receipts to each income account is posted as a credit to the appropriate account in the General Ledger.

- a. **Income from Sales:** Lodges that operate a bar, dining room or other entities involving "sales" should use a Daily Summary of Receipts and a Monthly Summary of Receipts. Illustrations 1-107a and 1-107b provide an example. Each Lodge should prepare and reproduce its own forms. Procedures should require that cash receipts be turned in to the Secretary promptly and that receipts are identified by proper account number.
- b. **Interest Income:** Lodges receive notice of this income from statements or notices from the financial institution. Procedures should require that this income be entered promptly in the Cash Receipts Journal.

**1-108. Cash Disbursements Journal:** As required by Section 12.060 of the Statutes, the Treasurer pays all approved bills against the Lodge. Thus, the Treasurer maintains the Cash Disbursements Journal wherein he records expenses by account number. Use of a "one-write" system is encouraged. Several such systems, including checks and forms, are available from business form suppliers or local stationery stores. One system is shown in Illustration 1-108. There must be a Cash Disbursements Journal for each checking account. At end of month entries are totaled; the total of checks written is posted to the General Ledger as a credit to the checking account; and the summary total of charges to each expense account is posted as a debit to the appropriate expense account.



## Illustration 1-107a

Tape Transaction Nos.:  
 Beginning # \_\_\_\_\_  
 Ending # \_\_\_\_\_

### DAILY SUMMARY OF BAR RECEIPTS

Date: \_\_\_\_\_

---

Sales:	Liquor.....	\$ _____
	Wine .....	_____
	Beer .....	_____
	Sundries.....	_____
	Sales Tax .....	_____
	Machines .....	_____
	Key Cards.....	_____
Other:	_____	_____
	_____	_____
	_____	_____
	<b>TOTAL:</b>	\$ _____

Register Change Fund	\$	_____
Total Receipts, above	+	_____
To Be Accounted For	\$	_____
Cash Count	\$	_____
Cash Over (Short)	\$	_____

---

A Daily Summary similar to this should be prepared by person, **other than bartender**, when cash is counted and tape is zeroed out and removed. Tape should indicate total sales by category.

Daily Summary, with day's cash receipts, are turned over to the Secretary. Secretary records receipts and turns over to Treasurer. For a computerized system Daily Summary is used as input. For a manual system Treasurer should prepare Monthly Summary, similar to Illustration 1-107b, for end of month posting to General Ledger.

There may be a requirement of State or local law that the Daily Summary and cash register tapes be retained for a specified period in event of a sales tax audit.



Illustration 1-107b

**MONTHLY SUMMARY OF BAR RECEIPTS**


Date	Liquor 401-01	Wine 401-02	Beer 402-00	Sundries 403-00	Sales Tax 209-00	Machines 407-00	Key Cards 311-01	Cash Over (Short) -430-00	DAILY TOTALS
2006									
Jan 1									
2									
3									
4									
5									
6									
7									
8									
9									
25									
26									
27									
28									
29									
30									
31									
MONTHLY TOTALS									

**EXAMPLE**  
 For a manual bookkeeping system, a form or spread sheet similar to this should be posted from Daily Summary and totaled and balanced at end of month. Totals for each account are then posted to General Ledger. Form or spread sheet should be retained as part of audit trail.

Illustration 1-108

CASH DISBURSEMENT JOURNAL

CHECK NUMBER	CHECK ISSUED TO	DATE	CHECK AMOUNT	BANK BALANCE	DEPOSITS		MISCELLANEOUS DESCRIPTION	BAL. FWD.
					AMOUNT	DATE		
	<b>BALANCE FORWARD</b> →							
1								1
2								2
3								3
4								4
5								5
6								6
7								7
8								8
9								9
10								10
11								11
12								12
13								13
14								14
15								15
16								16
17								17
18								18
19								19
20								20
21								21
22								22
23								23
24								24
25								25
26								26
27								27
28								28
29								29
30								30



15-221  
551  
**2050**  
**DOLLARS**

DATE	INVOICE	AMOUNT

**PAY**

CHECK NO.	TO THE ORDER OF	DATE	DESCRIPTION	CHECK AMOUNT

\_\_\_\_\_  
AUTHORIZED SIGNATURE

\_\_\_\_\_  
AUTHORIZED SIGNATURE

**EXAMPLE OF ONE OF MANY ONE-WRITE SYSTEMS AVAILABLE**

This system uses a peg-board binder to hold the checks and the Cash Disbursements Journal. One line of the check, from Check No. to Check Amount, has carbon on the reverse side. This line then appears on the Cash Disbursement Journal. After writing this line, the check is torn from the binder and completed.

The Cash Disbursements Journal is then completed by entering the Bank Balance and the amount is entered in the appropriate column for the applicable expense account number. Note there are, in this example, a total of 24 columns for the various expense accounts needed.

There are similar systems which provide two copies of the Cash Disbursement Journal - an extra copy to forward to a computer service firm as part of the input; or, if using a Lodge computer, may be used for input to the Lodge computerized system.

Illustration 1-111

General Journal

1

DATE		ACCOUNTS AND EXPLANATION	DR	CR
2006				
May	15	Unearned Fees A/C 282-00	90.00	
		Membership Fees A/C 302-00		90.00
		Initiated three on May 14		
May	20	Janitorial Supplies A/C 344-01	169.45	
		Lodge Supplies A/C 346-00		169.45
		To Correct error - Voucher #1106- 4/10/06		

↓ ↓  
Debits and Credits  
must be equal.

**1-109. Payroll Journal:** This should be required by only those Lodges that have a large number of employees. Most Lodges should incorporate the pay of employees in the Cash Disbursements Journal. Some “one-write” systems provide a withholding slip to be given to the employee. There are other systems for a small number of employees.

**1-110. Accounts Payable Journal:** There are several methods for recording accounts payable. Large Lodges having numerous purchases and many invoices pending during a monthly accounting period may use a Purchases Journal and Accounts Payable Ledger, posted daily, with summary postings to the General Ledger at end of month. The average Lodge should pay bills promptly and take advantage of all discounts so that there will be few unpaid bills (accounts payable) at end of month. These may be recorded at the end of the Cash Disbursements Journal for posting to the General Ledger. Those Lodges using the Modified Cash Method (Sec. 1-105b) should insure that all unpaid bills at end of fiscal year are recorded as accounts payable.

**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. As indicated in Illustration 1-111, 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. 1-121b of this Manual. See Account Nos. 152-00 and 154-00, in Appendix, Exhibit A.

**Unearned Dues:** Debiting membership dues to deferred income Account #211-00 and crediting income Account #301-00 as described in the Appendix, Exhibit A.

**Unearned Fees:** Debiting deferred income Account #282-00 and crediting income Account, #302-00, when a candidate becomes a member, as described in the Appendix, Exhibit A.

**1-112. General Ledger:** This consists of a book, normally bound in a post binder, containing a page for each account (from the Appendix, Exhibit A) the Lodge uses. It is divided into sections for each of the following:

- Assets
- Liabilities
- Equity
- Income
- Expenses

The Income and Expenses sections are further divided in a manner similar to the following:

- Lodge
- Bar
- Dining Room
- Swimming Pool, etc.

Illustrations 1-112a and 1-112b are examples of pages of a General Ledger. These ledger pages may be purchased from a stationery store.

At end of month, after all postings have been made from journals to the General Ledger, obtain a total of all income accounts and a total of all expense accounts for the month. The difference, profit or loss, is the amount to be entered for Account #291-00, Equity (or Net Worth), for that month. A profit is entered as a credit and a loss as a debit. This amount must be verified each month by obtaining a total of the balances of each asset account, and a total of each liability account including the equity account with the current month's profit or loss. These two totals must be equal. If not, there is an error which must be found and corrected.

**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 audit 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 audit 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 insuring 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 manually 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.



**Illustration 1-112b**

ACCOUNT NO. **401-00**

**INCOME Bar**

**LIQUOR SALES**

DATE	ITEMS	FOL	1	DEBITS	1	CREDITS	DR: or CR.	BALANCE	
2006						8 9 2 4 00	CR	8 9 2 4 00	
Apr 30		CR							
May 31		CR				7 3 2 1 50		1 6 2 4 5 50	
Jun 30		CR				6 1 0 6 25		2 2 3 5 1 75	

Always a zero balance on April 1st. Income accounts are closed at end of each year.  
 Entries are made from the Cash Receipts Journal (CR), A/C 401-00, at end of each month.

**1-116. Manual vs. Computerized System:** In determining how accounting and bookkeeping tasks will be performed the Lodge must consider the size and extent of operations, number and complexity of entities involved, and the following options available:

- a. **Manual System:** This involves posting the General Ledger and compiling reports manually. It is the logical choice for small Lodges. For others, the volume of transactions will cause the tasks to become burdensome.
- b. **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.
- c. **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 insure that software obtained meets its needs and is not too elaborate.
- d. **Using a Computer Service Firm:** This is a relatively inexpensive option. An actual example is a Lodge of 425 members, 4 employees, \$225,000 gross annual revenue, transactions averaging 300 a month, and the cost is less than \$100 a month. 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 carbon 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 print-out 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 audit. 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 600, 700, 800 and 900 series.

**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 auditing 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. 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. All bills should be paid from the checking account.



**1-119. Restricted Funds:** These funds represent money collected and held in trust to be used for the sole purpose for which it was intended. The Lodge must exercise responsible stewardship of these funds. Accounting for restricted funds is different from that for unrestricted funds. Money collected (income) is debited to the appropriate asset (cash in bank) account and credited to a restricted fund account in the 241-00 to 279-00 series. Expenses such as donations, contributions or expenses of a particular fund raising affair, are debited to the appropriate restricted fund account and credited to the proper asset account. At end of period the balances in the restricted fund accounts represent the amount of cash held in trust which cannot be used for operating expenses.

**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 the appropriate account code for each bill; 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 year.

This procedure permits proper accounting for expenses involved and provides the required audit trail. A Club supervising or managing body should never have its own checking account for paying bills in violation of Sec. 12.060 of the Statutes. 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 asset account and crediting the equity account (291-00).

- 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. Judgement 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, such as \$100 or \$200.

- 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 allocating depreciation and there are Internal Revenue Service rules that govern. 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 (Accounts #339-00, 434-00, 534-00, etc.) and a credit to allowance for depreciation (Accounts 152-00, 154-00).

**All Lodges must depreciate fixed assets in accordance with the Internal Revenue Code and U.S. Treasury regulations. Depreciation is mandatory - not optional. Failure to properly claim depreciation can be costly to the Lodge. There are various methods for depreciation and the Lodge should consult with their accountant or tax professional when initially setting up a depreciation schedule and computing depreciation.**

- 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
- Annual Depreciation and Method
- Accumulated Depreciation

A card index file or a ledger sheet are methods adaptable to a manual system. In a computerized system all of this information would be loaded into the computer with changes made as they occur. A print-out would be required as of March 31st 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.

**1-124. Non-Routine Transactions:** Occasional transactions other than routine receipts and payment of bills require special treatment as follows:

- 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 102-00; credit 209-00
  - Payment of sales tax: Debit 209-00; credit 102-00
  - Commission: Debit 209-00; credit an “Other Income” account in the 311-00 to 314-00 series as established by the Lodge.
- b. Inventory Variance:** The last prior inventory of supplies on hand will have been recorded on the books in an asset account 108-01, 108-02 or 108-03. The dollar amount of the 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 108 series; debit an inventory variance account such as 414-00 or 514-00
  - New inventory more than prior inventory: Debit appropriate account in the 108 series; credit appropriate inventory variance account
- c. Returned Checks:** Occasionally a check that has been deposited will be returned by the bank as uncollectable. This should be entered in the Cash Disbursements Journal (check book) as a credit (reduction) and a debit to account 105-00 or a sub-account set up for “Returned Checks”. Efforts should be made to collect the cash from the party who wrote the check. If cash is collected a new deposit is made debiting 102-00 and crediting 105-00. If unable to collect, then this becomes a “bad check” and the amount is debited to account 347-00, loss on bad checks, and credited to 105-00.
- 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 109-00 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 109-00 series, and (3) in April of new year credit portion that applies to new year to appropriate 109-00 account and debit appropriate expense account.

**1-125. Marketable Securities (Not Including Insurance):** Under notes to “Financial Statements,” the resident Subordinate Lodge Accountants are to set forth the components of Marketable Securities, and their actual cost and market value at the year of the audit; and a comparison to the previous year. The accountant is to reflect the ACTUAL COSTS in the Annual Audit Report (issued as of March 31st).

**— 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:
  - Voucher form to be used, as designed by the Lodge. Two examples are shown in Illustration 2-102.
  - Who prepares the voucher and attaches it to the bill (normally the Secretary).
  - 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 approved by the Trustees to insure 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.” Subsequent to the Lodge meeting 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 insure 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 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 should be reconciled monthly and necessary corrections entered. See the instructions on page 20.

- i.* Bank deposits should be made promptly, daily if possible. It is not unreasonable for Treasurer to designate another person to make deposits, provided that the Treasurer receives deposit slip promptly.
- 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.

**2-103. Controls Applicable to Club Operations:** Consideration should be given to the following when establishing the internal controls for the bar, dining room, 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 dining room. 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.
  - COST OF GOODS SOLD SHOULD NOT EXCEED 35% OF SALES.  
Ratio determined by the formula: Cost of sales divided by sales = ratio.
  - 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.
  - ENTERTAINMENT COST SHOULD NOT EXCEED 6% OF SALES.  
Ratio determined by the formula: Total entertainment cost of bar and/or dining room (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.* Dining room 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. (See Illustration 1-107a.)
- 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 31st.
- j.* A member of the Auditing & Accounting Committee or an Officer should supervise taking the inventory and spot check pricing and extending.

**INSTRUCTIONS FOR KEEPING YOUR SAVING AND CHECKING ACCOUNT RECORDS**

1. The space to the left is provided for you to enter all deposits and withdrawals made during the next interest-statement period.
2. Enter the last balance shown on the front side of this statement in the Balance Forward box.
3. Add to your balance all subsequent deposits and deduct all withdrawals.
4. A statement covering the next interest -statement period will be mailed to you at the end of that period with interest earned shown as the last entry.
5. Notify us promptly of any change of address.
6. All deposits and withdrawals are subject to regulations of this institution as from time to time adopted or amended.

MONTH \_\_\_\_\_ 20\_\_\_\_\_

**CHECKING ACCOUNT**  
CHECKS OUTSTANDING -  
NOT CHARGED TO ACCOUNT

NO.	\$	
<b>TOTAL</b>	<b>\$</b>	

BANK BALANCE SHOWN  
ON THIS STATEMENT \$ \_\_\_\_\_

ADD +

DEPOSITS NOT CREDITED  
IN THIS STATEMENT  
(IF ANY) \$ \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

TOTAL \$ \_\_\_\_\_

SUBTRACT -

→ CHECKS OUTSTANDING \$ \_\_\_\_\_

BALANCE \$ \_\_\_\_\_

SHOULD AGREE WITH YOUR CHECK BOOK  
BALANCE AFTER DEDUCTING SERVICE  
CHARGE (IF ANY) SHOWN ON THIS STATEMENT  
FOR PREVIOUS MONTH; PLUS ANY INTEREST  
EARNED.

↙

**SAVINGS ACCOUNT**

SAVINGS BALANCE BROUGHT FORWARD →					
DATE	WITHDRAWALS	DEPOSITS			

### Illustration 2-102

REQUEST FOR PAYMENT			Request to be prepared by Committee Chairman and submitted to Trustees for Budget approval. Attach all invoices and/or receipts to this request.								
Date of Request : _____ Amount: \$ _____ Pay to: _____											
For: _____			TREASURER'S VOUCHER								
COMMITTEE: _____ Committee Chairman: _____ Account Name: _____			Voucher No. _____								
			Invoice No. _____								
			Date _____								
			Terms _____								
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%; text-align: center;">BUDGET APPROVAL BY TRUSTEES</td> <td style="width: 30%;">Account No. _____</td> </tr> <tr> <td style="padding: 5px;"> </td> <td style="padding: 5px;">Budget Available _____</td> </tr> <tr> <td style="padding: 5px;"> </td> <td style="padding: 5px;">This Request _____</td> </tr> <tr> <td style="padding: 5px;"> </td> <td style="padding: 5px;">Budget Balance _____</td> </tr> </table>			BUDGET APPROVAL BY TRUSTEES	Account No. _____		Budget Available _____		This Request _____		Budget Balance _____	Amount _____
			BUDGET APPROVAL BY TRUSTEES	Account No. _____							
				Budget Available _____							
				This Request _____							
	Budget Balance _____										
APPROVED FOR PAYMENT			Less Discount _____								
			AMOUNT OF CHECK _____								
DATE _____	SECRETARY _____	EXALTED RULER _____	Date Paid _____								
			Check No. _____								
			TREASURER _____								

---

Date _____	TREASURER'S VOUCHER	No. _____
Pay to: _____ _____ _____		Invoice No. _____ Date _____ Terms _____
For: _____ _____		Amount _____ Less Disc. _____
APPROVED FOR PAYMENT	Account Name _____	Amount _____ of _____ Check
Committee Chairman	Function _____	Date Paid _____
Secretary	Account No. _____	Check No. _____
	Budget Available _____	
Exalted Ruler	Amount Paid _____	Treasurer _____
	Budget Balance _____	
Date _____		

## — CHAPTER 3 —

### DISTRIBUTING OVERHEAD COSTS

**3-101. Purpose:** Lodges are encouraged to distribute overhead costs to each entity or major activity 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 entities and activities and cannot be assigned directly to any one. For example, the average Lodge would be unable to identify direct costs to each entity for heat or electricity. Overhead costs normally include, but are not limited to, the following:

- Accounting, Audit 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
- Depreciation

**3-103. Prorating Overhead Costs:** Lodges are encouraged to develop a method of assigning to each entity or major activity a proportionate share of the total overhead costs. The method used may be based on building space and hours used, as a percent of total; or on business revenue of each, as a percent 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 as expressed in Sections 12.070 (Lodge), 16.030 (separate corporation) and 16.040 (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 31st. 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:

- Prepare worksheets in advance. Examples are shown in Illustrations 4-103a, b, c, d and e.
- Budget by same line items that are used to record income and expenses.
- Prepare income section first on the theory that you should not spend more than you expect to receive. Be realistic and conservative.
- When preparing the expense sections estimate fixed and semi-fixed expenses first, i.e., those over which the Lodge has little or no control.
- Prepare separate schedules where more detail is desired, such as a detailed list of charity donations to be made.
- When budgeting activities which generate income, such as bingo or fund-raising events, always budget gross receipts and expenses, never the net income.
- Do not overlook capital items which are not "expenses", such as purchase of equipment, mortgage principal, bond redemption, etc.
- Budget may include an amount for contingent purposes to cover unforeseen emergencies. Expenditures therefrom require a two-thirds affirmative vote of the Lodge.
- It is not good business practice to prepare a deficit budget. Keep expenses within the limits of anticipated income.
- It is advisable that the Lodge 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:

- 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. Approval of the Lodge should not be required to formally change the budget accordingly. This would seriously hinder day-to-day operations.
- 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.
- 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.
- 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.
- 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 that each entity of the Lodge is to be financially self-sufficient adhering to their 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 Dining Room); Swimming Pool; Bingo; Tear Tickets; Corporation, etc.

The only exception to the above will pertain to the institution of an entity wherein a bank 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.

### Illustration 4-103a

WORK - SHEET		INITIALS	DATES	REFERENCES			
BUDGET FOR LODGE		PREPARED BY					
		CHECKED BY					
		APPROVED BY					
		(1)	(2)	(3)	(4)		
L I N E No.	Acct. No.		PRIOR YEAR BUDGET	ACTUAL	BUDGET REQUESTED	NEW BUDGET	L I N E No.
1		<u>INCOME</u>					1
2	301-00	Dues					2
3	302-00	Fees					3
4	305-00	Rent					4
5	307-00	Interest					5
6		etc.					6
7		etc.					7
8		TOTAL INCOME					8
9							9
10		<u>EXPENSES</u>					10
11	330-00	Accounting					11
12	331-00	Audit					12
13	334-00	Bulletin					13
14	335-00	Key Card Expense					14
15	337-00	Convention Expense					15
16	339-00	Depreciation					16
17		etc.					17
18		etc.					18
19		TOTAL EXPENSES					19
20							20
21		<b>PROFIT (LOSS):</b>					21
22							22
23							23
24							24
25			<b>SUMMARY — NEW BUDGET</b>				25
26			<b>INCOME</b>	<b>EXPENSES</b>	<b>PROFIT (LOSS)</b>		26
27		Lodge (4-103a)					27
28		Bar (4-103b)					28
29		Dining Room (4-103c)					29
30		Bingo (4-103d)					30
31		Swimming Pool (4-103e)					31
32		SUB-TOTAL					32
33		Mortgage Principal	— — — — —		— — — — —		33
34		New Beer Cooler	— — — — —		— — — — —		34
35		New Oven and Grill	— — — — —		— — — — —		35
36							36
37		GRAND TOTAL					37
38							38

**Illustration 4-103b**

<b>WORK - SHEET</b>				INITIALS	DATES	REFERENCES
<b>BUDGET FOR BAR</b>				PREPARED BY		
				CHECKED BY		
				APPROVED BY		

L I N E No.	Acct. No.	Description	(1)												(2)												(3)												(4)												L I N E No.
			PRIOR YEAR BUDGET												ACTUAL												BUDGET REQUESTED												NEW BUDGET												
1		<u>INCOME</u>																																																	1
2	401-00	Sales, Liquor / Wine																																																	2
3	402-00	" , Beer																																																	3
4	403-00	" , Sundries / Sodas																																																	4
5		Total Sales:																																																	5
6	415-01	Purchases, Liquor / Wine																																																	6
7	415-02	" Beer																																																	7
8	415-03	" Bar Supplies																																																	8
9	415-04	" Sundries / Sodas																																																	9
10		Total Purchases:																																																	10
11																																																			11
12		Cost of Sales (Line 10 divided by Line 5)	%												%												%												%												12
13																																																			13
14		<b>GROSS PROFIT</b> (Line 5 - Line 10)																																																	14
15	405-00	Recreation Room Income																																																	15
16	407-00	Machine Income																																																	16
17		etc.																																																	17
18		<b>TOTAL INCOME:</b>																																																	18
19																																																			19
20		<u>EXPENSES</u>																																																	20
21	420-00	Advertising / Promotion																																																	21
22	424-00	Auto Expense																																																	22
23	425-00	Recreation Room Expense																																																	23
24	431-00	Cleaning Supplies																																																	24
25		etc.																																																	25
26		etc.																																																	26
27		<b>TOTAL EXPENSES</b>																																																	27
28																																																			28
29		<b>PROFIT (LOSS):</b>																																																	29
30																																																			30
31																																																			31
32																																																			32
33																																																			33
34																																																			34
35																																																			35
36																																																			36
37																																																			37
38																																																			38

### Illustration 4-103c

WORK - SHEET		INITIALS	DATES	REFERENCES		
BUDGET FOR DINING ROOM		PREPARED BY				
		CHECKED BY				
		APPROVED BY				
L I N E No.	Acct. No.	PRIOR YEAR BUDGET	ACTUAL	BUDGET REQUESTED	NEW BUDGET	L I N E No.
1		<u>INCOME</u>				1
2	501-00	Sales, Food				2
3						3
4	515-00	Purchases, Food				4
5						5
6		Cost of Sales (Line 4 divided by Line 2)	%	%	%	6
7						7
8		<b>GROSS PROFIT</b> (Line 2 - Line 4)				8
9	502-00	Other Income				9
10		etc.				10
11		<b>TOTAL INCOME:</b>				11
12						12
13						13
14		<u>EXPENSES</u>				14
15	520-00	Advertising / Promotion				15
16	524-00	Auto Expense				16
17	525-00	Dining Room Supplies				17
18	531-00	Cleaning Supplies				18
19		etc.				19
20		etc.				20
21						21
22		<b>TOTAL EXPENSES:</b>				22
23						23
24		<b>PROFIT (LOSS):</b>				24
25						25
26						26
27						27
28						28
29						29
30						30
31						31
32						32
33						33
34						34
35						35
36						36
37						37
38						38

### Illustration 4-103d

WORK - SHEET		INITIALS		DATES		REFERENCES	
BUDGET FOR BINGO		PREPARED BY					
		CHECKED BY					
		APPROVED BY					
		(1)	(2)	(3)	(4)		
LINE No.	Acct. No.	PRIOR YEAR BUDGET	ACTUAL	BUDGET REQUESTED	NEW BUDGET	LINE No.	
1		<u>INCOME</u>				1	
2	601-00	Card Sales - Bingo				2	
3	602-00	Other Income				3	
4		etc.				4	
5		etc.				5	
6		TOTAL INCOME:				6	
7						7	
8						8	
9		<u>EXPENSES</u>				9	
10	610-00	Payouts - Prizes				10	
11	611-00	Bingo Supplies				11	
12	612-00	Depreciation				12	
13	613-00	Insurance				13	
14	614-00	License - Fees				14	
15	615-00	Public Service & Charities				15	
16		etc.				16	
17		etc.				17	
18		TOTAL EXPENSES:				18	
19						19	
20		<b>PROFIT (LOSS):</b>				20	
21						21	
22						22	
23						23	
24						24	
25						25	
26						26	
27						27	
28						28	
29						29	
30						30	
31						31	
32						32	
33						33	
34						34	
35						35	
36						36	
37						37	
38						38	

### Illustration 4-103e

WORK - SHEET							INITIALS	DATES	REFERENCES	
BUDGET FOR SWIMMING POOL							PREPARED BY			
							CHECKED BY			
							APPROVED BY			
		(1)	(2)	(3)	(4)					
LINE No.	Acct. No.		PRIOR YEAR BUDGET	ACTUAL	BUDGET REQUESTED	NEW BUDGET				LINE No.
	<b>INCOME</b>									
1										1
2	701-00	Member Dues - Pool								2
3	702-00	Daily Charges								3
4	703-00	Refreshment Stand								4
5	704-00	Pool Parties								5
6		etc.								6
7		etc.								7
8		<b>TOTAL INCOME:</b>								8
9										9
10										10
11	710-00	<b>EXPENSES</b>								11
12	711-00	Salaries & Wages								12
13	712-00	Payroll Taxes								13
14	713-00	Employee Benefits								14
15	714-00	Depreciation								15
16	715-00	Insurance								16
17	716-00	Utilities								17
18	717-00	Pool Supplies								18
19	718-00	Refreshment Stand Supplies								19
20		Pool Party Expenses								20
21		etc.								21
22		etc.								22
23		<b>TOTAL EXPENSES:</b>								23
24										24
25		<b>PROFIT (LOSS):</b>								25
26										26
27										27
28										28
29										29
30										30
31										31
32										32
33										33
34										34
35										35
36										36
37										37
38										38

**— CHAPTER 5 —**  
**TAXES AND TAX RETURNS**

**5-101. General:** This Chapter is **not** intended to provide complete and comprehensive advice on payment of all Federal, State and local taxes or rendering all tax returns. Rather, it is intended to provide a guide with suggestions and ideas to help Lodges insure 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 audit ask the professional to review your practices for compliance with tax laws and regulations. It is suggested that the Secretary keep up-to-date in this area, maintain a file of pertinent publications, and be the point of contact for questions that arise. (See SECRETARY'S MANUAL, available from the Grand Secretary.)

**5-103. Obtaining Publications:** Internal Revenue Service publications and forms may be obtained from the IRS Forms Distribution Center for your State. Also, they may be obtained by calling toll-free 800-829-3676. State and local publications should be obtained from the State income tax or sales tax office and the local alcoholic beverage control office.

**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 recordkeeping. 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 deficiencies most frequently noted by the accountant:

- Failure to withhold and pay income and social security 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.
- Failure to withhold and pay such taxes for the Secretary and Treasurer who are officers receiving compensation.
- Failure to require employees to report tips of \$20 or more in a month and failure to withhold and pay taxes on tips.
- Failure to pay Federal Unemployment Tax (FUTA) and State unemployment taxes on a timely basis.

**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 \$25,000 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 15th 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 audit and forwarded with the Annual Audit Report. 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 deficiencies should be given special attention:



- Always report gross receipts and expenses; never just net income.
  - When listing Lodge officers in the return include all officers, whether they receive compensation or not.
  - 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. Use of 501(c)(7) or 501(c)(10) is discouraged. These are more restrictive and require an individual letter of exemption. (See Sec. 5-107, below.)
- c. **Form 990T:** This return must be filed by each Lodge that has gross income from an unrelated trade or business of \$1,000 or more. 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.

For further information, see Chapter 10.

**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 should be used on all returns and other documents, and use only one number for the Lodge. A separate corporation may 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 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. **Secretaries should 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 when an accountant audits a Lodge he will refer to errors of omission in this regard. Some returns most frequently involved are:

- Payment of interest of \$10 or more to holders of member bonds or notes - IRS Form 1099-INT.
- Payment of \$600 or more for nonemployee compensation, such as accountants, attorneys, bands, etc. - IRS Form 1099-MISC.
- Payment of \$600 or more in winnings from raffles or drawings - IRS Form W-2G.
- 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. Advice on accounting for sales taxes is contained in Sec. 1-124a of this Manual.

## Illustration 6-104

### REPORT OF SPECIAL EVENT

\_\_\_\_\_ Lodge # \_\_\_\_\_ TO BE COMPLETED BY CHAIRMAN AND TURNED IN WITHIN **TWO WEEKS**

1. Event: \_\_\_\_\_ Date: \_\_\_\_\_ Hours: From \_\_\_\_\_ To \_\_\_\_\_
2. Lodge Event? \_\_\_\_\_ Benefit of: \_\_\_\_\_ Catered Event \_\_\_\_\_
3. Chairman: \_\_\_\_\_ Facilities Used: \_\_\_\_\_
4. Name of Band: \_\_\_\_\_ Other Entertainment: \_\_\_\_\_
5. Open Bar? Yes \_\_\_\_\_ No \_\_\_\_\_ Raffle? Yes \_\_\_\_\_ No \_\_\_\_\_ Raffle Prizes: \_\_\_\_\_
6. Attendance limited to Elks and Guests? Yes \_\_\_\_\_ No \_\_\_\_\_ No. Who Attended: \_\_\_\_\_

#### INCOME

- |   |  |                 |
|---|--|-----------------|
| 7. No. of Tickets Sold _____ @ \$ _____ Per Ticket .....            |  | \$ _____        |
| 8. No. Raffle Tickets Sold _____ @ \$ _____ Per Ticket .....        |  | \$ _____        |
| 9. Payment Collected for Catered Event: (\$ _____ Per Person) ..... |  | \$ _____        |
| 10. Other Income _____  |  | \$ _____        |
| 11. Other Income _____  |  | \$ _____        |
| 12. <b>TOTAL INCOME</b> .....                                       |  | <b>\$ _____</b> |

#### EXPENSES

- |  | From Club Supplies | Purchased       |
|--|--------------------|-----------------|
| 13. Band: \$ _____ Other Entertainment: \$ _____           |                    | \$ _____        |
| 14. Raffle License: \$ _____ Prizes: \$ _____              |                    | \$ _____        |
| 15. Food (Including Coffee, Tea, Etc.) .....               | \$ _____           | \$ _____        |
| 16. Liquor: \$ _____ Beer: \$ _____ Sodas: \$ _____ .....  | \$ _____           | \$ _____        |
| 17. Paper and Plastic Supplies .....                       | \$ _____           | \$ _____        |
| 18. Other (List) _____                                     | \$ _____           | \$ _____        |
| 19. _____  | \$ _____           | \$ _____        |
| 20. <b>TOTALS</b>  | <b>\$ _____</b>    | <b>\$ _____</b> |
| 21. <b>TOTAL EXPENSES</b> .....                            |                    | <b>\$ _____</b> |
| 22. <b>PROFIT (Total Income Less Total Expenses)</b> ..... |                    | <b>\$ _____</b> |

Distribution: Original to Lodge Secretary  
Copy for Committee File

Signature \_\_\_\_\_ Date: \_\_\_\_\_

## — 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.

**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. It is advisable to present the plan 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 his 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:

- Lodge Treasurer should serve as Treasurer of all committees as required by Sec. 12.060 of the Statutes.
- 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.
- Sale of admission or raffle tickets should be controlled by pre-numbering and accounting for any missing tickets.
- 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.
- 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.)
- The committee chairman should submit a report, similar to that included as Illustration 6-104, within two weeks after the event. This form may be reproduced locally or revised to meet the needs of the Lodge. These reports should be made available to the accountant when he conducts the annual audit.

**6-105. Final Action by Committee Chairman:** It is appropriate for the Committee Chairman to 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.

**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 13.040i of the Statutes sets forth the requirement for three reviews during the year. 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. Since no one should be assigned the task of auditing his own books, neither the Secretary nor Treasurer should be appointed as a member of the 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 should 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 insure 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 appointed by him 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 auditors 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 audit 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. The following advice, suggestions and recommendations are provided for carrying out these responsibilities. The word “audit” as used herein includes an audit examination, a review or a compilation as discussed below.

**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. The final report should include an unqualified opinion. 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 accountant determines that an audit review or audit is not feasible or 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.

**9-105. In-House Annual Financial Report Preparation:** Under Section 13.040(j), a Lodge must request permission to prepare their Annual Financial Report using in-house personnel, if they meet certain criteria and it is approved by their Grand Lodge Sponsor Past Grand Exalted Ruler. Applications must be obtained from their Area Grand Lodge Auditing & Accounting Committee Member, and completed applications must be filed with the Committee Member by December 31st for the Lodge fiscal year to end the following March 31st.

**9-106. Engaging the Accountant:** The accountant should always be a professional 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 as an “accountant”; and one who should have a complete awareness in the preparation of the IRS Tax Forms. He should be one who is outside the regular employment 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 31st.

**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 audit 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 30th. Insure that he will complete the report by June 15th.
- e. Be responsive to any request to take a look at Lodge accounting records. If it is not practical for him to observe the end-of-year inventory-taking, an inventory certificate, such as the example in the Appendix, Exhibit D, may be provided. Discuss procedures for verification of cash on hand. Insure that the accountant will prepare necessary income tax returns.
- 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:** An example of a completed Financial Report is included in the Appendix, Exhibit E. The report must include all standard audit report forms as provided by the Grand Secretary, completed in accord with the guidance contained in this Manual, together with a copy of each income tax return. The content and results of the findings of the accountant should be reviewed by the accountant with the Auditing & Accounting Committee. The Committee should report these findings at a regular session of the Lodge and obtain approval of the report. The Committee should complete all entries on the Transmittal Letter.

**9-109. Deadline for Filing:** This is June 30th as expressed in the Statute. 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 and 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.

**9-110. Evaluation Report:** After July 1st, and wherever possible prior to the visit of the District Deputy, the Area Member of the Grand Lodge Auditing and Accounting Committee will forward a copy of the ACKNOWLEDGMENT OF RECEIPT OF AUDIT REPORT AND EVALUATION THEREOF, with his recommendations, suggestions and comments, to the Exalted Ruler, the Secretary, the District Deputy, and the Past Grand Exalted Ruler Sponsor(s). 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. An example is included in the Appendix as part of Exhibit E.

**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 Audit Report is to be a combined report and should include any separate corporation. The accountant engaged to audit the Lodge should also audit the separate corporation. The income and expenses of the corporation should be included in the Audit Report and the Combined Balance Sheet should include its assets, liabilities and equity.



— CHAPTER 10 —

**IRS EXAMINATIONS OF BPOE LODGES**

**10-101 IRS EXAMINATION OF LODGE.**

A notice to a Lodge of an IRS examination begins with a telephone communication or 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 in the past.

*(Note: When notice of an IRS examination is received, the Lodge should promptly notify the Area Grand Lodge Sponsor, Grand Secretary and the Auditing & Accounting (A&A) Committee Member for its Area.)*

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. A copy of a recent request from IRS to a BPOE Lodge (*with indentifying information deleted*) is contained in Exhibit H.

The IRS examiner usually will come to the Lodge premises to conduct the examination. The Lodge can have a representative present, such as the tax preparer, and the Treasurer should plan to be available at the time of the examination. At all times, the Lodge representatives should be cooperative and answer any questions as accurately as possible.

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 Subordinate 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 central 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 IRC 501(c)(8) exemption for the central organization and Subordinate Lodges. Questions should be addressed to Grand Lodge or the Exempt Organizations national office.

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 central organization, you should check with your controlling organization to determine whether your unit has been included in a group exemption letter or may be added. If so, your organization 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 Area Grand Lodge Sponsor, Grand Secretary and the A&A 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 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 Area Sponsor and A&A 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 gaming by the total number of workers for the gaming, 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, if the total taxable UBI is over \$1,000, 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.”

#### **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. Note that this is only for fund-raising and gaming activities that are open to the general public.

Schedule G, Part II must be completed if the Lodge reports more than \$15,000 in gross revenues from fund-raising events that are open to the general public, but only for each event with gross receipts greater than \$5,000.

Schedule G, Part III must be completed if the Lodge reports more than \$15,000 in gross revenues from gaming that is open to the general public. 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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The above 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 tax issues can arise which could require further consideration.

Robert M. Goolrick, *Attorney at Law*  
September 15, 2009

— EXHIBIT A —

**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 should prepare its own listing of the accounts it will use 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:

Accounts needed by Trustees and entity managers for budget comparison and financial management.

Accounts needed to complete Federal, State and local income tax returns.

Accounts needed to complete the annual Audit Report.

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

**BASIC OUTLINE:** 100-00 Series Assets

200-00 Series Liabilities and Equity

300-00 Series Lodge Income and Expenses

400-00 Series Bar or Social Quarters Income and Expenses

500-00 Series Dining Room Income and Expenses

600-00 Series	[	Use these series as necessary to record income and expenses for bowling, golf course, swimming pool, etc.	]
700-00 Series			
800-00 Series			
900-00 Series			

**EXPANDING CAPTIONED ACCOUNTS:** The last two digits of most of the accounts listed will be “00”. These may be expanded or further divided by using these last two digits as follows:

101-01 Cash on Hand - Secretary’s Office

101-02 Cash on Hand - Bar #1

101-03 Cash on Hand - Bar #2

101-04 Cash on Hand - Dining Room

101-05 Cash on Hand - Bingo

101-06 Cash on Hand - Etc.

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
GENERAL**

<u>A/C No.</u>	<u>Description</u>	<u>Notes</u>
<b>CURRENT ASSETS:</b>		
101-00	Cash on Hand	Cash not on deposit excluding cash in transit to be deposited. Deposits should be made currently and not held for accumulation.
102-00	Cash in Bank—Checking (Unrestricted)	Use separate number for each account. Each account should be reconciled monthly and should agree with account balance in General Ledger.
103-00	Cash in Savings (Unrestricted)	Use separate number for each account. Each must be supported by passbook or certificate of deposit. These funds are of a current or liquid nature such as CDs which mature within 12 months. If not current, see 181-00.
104-00	Cash on Deposit (Restricted Funds)	Use this series instead of the 103-00 series for funds that have a restricted use. Balances in these accounts should agree with restricted fund liability accounts, 241-00 and 279-00.
105-00	Accounts Receivable	Receivables such as credit card sales, returned checks and other items due the Lodge with exception of those covered by 106-00 and 107-00. Do not use for unpaid dues. Delinquent dues are not considered to be an asset. See 211-00 and 301-00 for proper posting of membership dues.
106-00	Notes or Contracts (Receivable)	For example, note held by Lodge for property it sold. Use sub-account numbers for each note or contract.
107-00	Interest Receivable	Unpaid interest due at date of financial statement. Normally recorded by journal entry.
108-00	Inventory	Unusual supplies (such as large amounts of office supplies) and merchandise for re-sale, on hand or not used, at time monthly, quarterly or annual physical inventory is taken, and always as of March 31st. Recorded by journal entry when financial statements are prepared. Use the following sub-accounts.
108-01	Inventory - Lodge Supplies	
108-02	Inventory - Bar	
108-03	Inventory - Dining Room	
109-00	Prepaid Expense	Use following sub-accounts for any expense that covers a period extending beyond date of financial statement. Lodges using accrual method make monthly or quarterly adjustments debiting the facility covered and crediting these accounts. All Lodges should use these accounts as of March 31st.
109-01	Prepaid Expense - Insurance	
109-02	Prepaid Expense - Licenses	
109-03	Prepaid Expense - Per Capita, Grand Lodge	
109-04	Prepaid Expense - Per Capita, State	
109-05	Prepaid Expense - Rent	
109-06	Prepaid Expense - Taxes	
110-00	Deposits	Use when deposit is required by vendor or contractor. This account is credited and appropriate expense account debited when deposit is used to pay a bill.
111-00 thru 149-00	Other Current Assets	Use these accounts for other current assets not included in one of the prior listed accounts.



**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
GENERAL**

<u>A/C No.</u>	<u>Description</u>	<u>Notes</u>
<b><u>FIXED ASSETS:</u></b>		
150-00	Land	Use when land is purchased. Do not include cost of buildings or improvements. Land may not be depreciated.
151-00	Buildings	Use for buildings purchased and capital improvements. Do not include cost of land. When good accounting practice requires separation, sub-accounts may be used, such as: 151-01 Lodge 151-02 Swimming Pool 151-03 Golf Course Structures 151-04 Land Improvements (Parking Lots, Fences, etc.)
152-00	Allowance for Depreciation-Buildings	Use this account to accrue building depreciation. Balance is always a credit. Normally adjustments are made at end of year, crediting this account and debiting expense account such as 339-00, 434-00, etc. For strict accrual method, monthly or quarterly adjustments may be made.
153-00	Furniture, Fixtures and Equipment	Use for all depreciable personal property assets purchased or received by donation.
154-00	Allowance for Depreciation-Furn., Fixt., & Equipment	Use to accrue depreciation on personal property assets that are included in 153-00. Adjust as for 152-00, above.
155-00 thru 179-00	Other Fixed Assets	Use for any other fixed assets not included in prior accounts.
<b><u>OTHER ASSETS:</u></b>		
180-00	Stocks	Use for stock market investments.
181-00	Other Assets	Use for assets not covered in prior accounts, normally bonds, CDs, etc., which are not of a current or liquid nature.
<b><u>CURRENT LIABILITIES:</u></b>		
201-00	Accounts Payable	Supplies or services received but not paid for at end of accounting period.
202-00	Contracts Payable-Short Term	Any sum due on a contract within a 12 month period.
203-00	Notes Payable-Short Term	Any sum due on a note within a 12 month period.
204-00	Accrued Compensation Insurance	Usually a substantial amount and not paid in current accounting period. At end of accounting period a credit to this account and debit to expense account is necessary.
205-00	Accrued Income Tax	Normally used at end of year when determination has been made of income tax due, if any.
206-00	Accrued Interest	Use when interest has accrued but not paid at end of accounting period.
207-00	Accrued Payroll Taxes	Use to record taxes accrued but not paid at end of accounting period, including withholding and employer's share. Following sub-accounts are suggested: 207-01 Accrued State Unemployment Tax 207-02 Accrued Federal Unemployment Tax 207-03 Accrued Social Security Tax (FICA) 207-04 Accrued Federal Income Tax Withheld 207-05 Accrued State Income Tax Withheld 207-06 Accrued Workers Compensation

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
GENERAL**

<u>A/C No.</u>	<u>Description</u>	<u>Notes</u>
208-00	Accrued Property Taxes	Accrued but not paid at end of accounting period.
209-00	Accrued Sales Tax	Sales tax collected but not paid at end of accounting period.
210-00	Accrued Wages	Accrued salaries and wages not paid at end of accounting period.
211-00	Prepaid Dues	Credit to this account all member dues received in a fiscal year prior to year to which they apply. On April 1st of the year to which the dues apply debit such dues to this account and credit income account 301-00 by journal entry. See Sections 1-105d and 1-111 of this Manual.
212-00 thru 230-00	Other Current Liabilities	Use these accounts for all other current liabilities not covered in prior accounts.

**TERM LIABILITIES:**

231-00	Contracts Payable-Long Term	Any sum due on a contract subsequent to the 12 month period as referred to for 202-00, above.
232-00	Notes Payable - Long Term	Same principle as for 231-00, above. See 203-00.
233-00	Mortgage Payable	This account records the total mortgage <u>principal</u> due. Interest is recorded as expense - account 343-00.
234-00 thru 239-00	Other Term Liabilities	Use for other long term liabilities not covered in prior accounts.

**RESTRICTED FUNDS:**

241-00	Charity	To record <u>money</u> collected and held in trust and which is to be used for the sole purpose for which it was intended. These accounts are credited for receipts and debited for disbursements, using the sub-account structure as necessary. Balance in each account reflects the net fund held in trust.
242-00	Bingo	
243-00	Elks National Foundation	
244-00	Major Project Fund	
245-00 thru 279-00	Other Restricted Funds	Use for other restricted funds not covered in prior accounts.

**DEFERRED INCOME:**

282-00	Prepaid Fees	Credit to this account all membership application fees (initiation, reinstatement or affiliation) at the time they are received. When the applicant is joined by initiation, reinstatement or affiliation, debit the fee to this account and credit income account 302-00 by journal entry. Balance in this account represents fees collected from applicants not yet joined.
283-00	Prepaid Rent	Credit to this account rents collected in advance for future accounting periods. Debit this account and credit appropriate income account by journal entry as rent becomes due.
284-00	Other Prepaid Income	Use this account, with sub-accounts as required, for other prepaid income not included in one of the prior accounts, such as deposits collected for parties that will occur in a later accounting period, golf course dues collected in a fiscal year prior to year to which they apply, etc. At the beginning of the new fiscal year debit this account and credit the appropriate income account, by journal entry.

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
GENERAL**

<u>A/C No.</u>	<u>Description</u>	<u>Notes</u>
<b><u>EQUITY:</u></b>		
291-00	Equity	This account reflects the net worth of the Lodge. Credit profit (excess of income over expenses) to this account each accounting period. Debit loss (excess of expenses over income).
<hr/>		
<b><u>LODGE INCOME:</u></b>		
301-00	Membership Dues	Use sub-accounts if desired for Regular Members, Life Members, New Members, Reinstatement Dues, etc. Use an account in the 311-00 thru 314-00 for Association Member Dues.
302-00	Membership Fees	Use sub-accounts if desired for initiation fees, reinstatement fees, affiliation fee, Certificates of Release, etc.
305-00	Rents	Use sub-accounts if desired for rent of Lodge, Club, etc.
306-00	Dividends	
307-00	Interest Earned	
308-00	Bequests (Unrestricted)	If restricted, use restricted fund accounts.
309-00	Contributions (Unrestricted)	If restricted, use restricted fund accounts.
311-00 thru 314-00	Miscellaneous	Use as desired for key card sales, emblem and jewelry sales, Associate Member Dues, insurance claims, etc.
315-00 thru 315-99	Lodge Activities Income	Use for income of <b>fund-raising</b> activities and events if net proceeds are not restricted. If restricted, use accounts in 241-00 thru 279-00 series.
<hr/>		
<b><u>LODGE EXPENSES:</u></b>		
330-00	Accounting	348-00 Miscellaneous & Unassigned
331-00	Audit	349-00 Office Expenses
332-00	Amortization	-01 Auto Travel
333-00	Badges & Pins	-02 Postage
334-00	Bulletin	-03 Stationery
335-00	Key Card Expense	-04 Printing & Copying
336-00	Cash Over/Short (Lodge only)	-05 Grand Lodge Supplies
337-00	Convention Expense	-06 Office Supplies
338-00	Data Processing	350-00 Officers Expense
339-00	Depreciation	351-00 Officers Salaries
340-00	Dignitary Visitations	-01 Secretary
341-00	Employee Benefits	-02 Treasurer
342-00	Insurance & Fidelity Bonds	-03 Tiler
343-00	Interest (Mtge., Notes, Etc.)	-04 Organist
344-00	Janitorial Expenses	352-00 Per Capita Tax
-01 Supplies		-01 Grand Lodge
-02 Contract Labor		-02 State
345-00	Legal	353-00 Publicity & Photography
346-00	Lodge Supplies	354-00 Rent/Leasing
347-00	Loss on Bad Checks	-01 Real Property
		-02 Equipment

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
GENERAL**

<b>A/C No.</b>	<b>Description</b>	<b>Notes</b>
<b>LODGE EXPENSES (Cont'd.):</b>		
355-00	Repairs & Maintenance	365-00 Utilities
356-00	Ritual Expense	-01 Electricity
361-00	Salaries & Wages	-02 Gas
-01	Doorman	-03 Fuel Oil
-02	Janitorial	-04 Trash Removal
-03	Office	-05 Coal
-04	Security	-06 Other
-05	Other	366-00 Other Lodge Expenses
362-00	Taxes	thru
-01	Payroll	389-00
-02	Property (Real Estate)	390-00 Lodge Activities Expense
-03	Other	thru <b>(Fund-raising activities if</b>
363-00	Telephone	399-00 <b>proceeds are not restricted)</b>
<b>BAR OR SOCIAL QUARTERS INCOME:</b>		
401-00	Liquor Sales	406-00 Facilities Rental
402-00	Beer Sales	407-00 Machine Income
403-00	Sundries Sales	408-00 Other Income
405-00	Recreation Room	thru
		413-00
<b>BAR OR SOCIAL QUARTERS EXPENSES:</b>		
414-00	Inventory Variance	451-00 Meals Furnished to Employees
415-00	Purchases	452-00 Miscellaneous & Unassigned
-01	Liquor	453-00 Music & Entertainment
-02	Beer	454-00 Rent
-03	Bar Supplies	455-00 Repairs & Maintenance
-04	Sundries	460-00 Replacements
420-00	Advertising / Promotion	-01 Glassware
421-00	Alarm Service	-02 Other
422-00	Accounting	461-00 Salaries & Wages
423-00	Audit	-01 Direct Labor (Bartenders, Etc.)
424-00	Auto Expense	-02 Management
425-00	Recreation Room Expense	-03 Office
426-00	Credit Card Expense	-04 Other
430-00	Cash Over / Short	462-00 Taxes
431-00	Cleaning Supplies	-01 Payroll
432-00	Commissions	-02 Property
433-00	Decorations	-03 Other
434-00	Depreciation	463-00 Telephone
435-00	Employee Benefits	464-00 Uniforms
440-00	Equipment Rental	465-00 Utilities
441-00	Ice	-01 Electricity
442-00	Insurance / Fidelity Bonds	-02 Gas
443-00	Janitorial Expense	-03 Fuel Oil
-01	Supplies	-04 Trash Removal
-02	Contract Labor	-05 Coal
444-00	Laundry	-06 Other
445-00	Licenses	466-00 Other Expense Categories
450-00	Machine Service	thru
		499-00

**— EXHIBIT A — (continued)**  
**UNIFORM CHART OF ACCOUNTS**  
**GENERAL**

<u>A/C No.</u>	<u>Description</u>	<u>Notes</u>
<b><u>DINING ROOM INCOME:</u></b>		
501-00	Food Sales	
502-00	Other income categories	
thru		
513-00		
<hr/>		
<b><u>DINING ROOM EXPENSES:</u></b>		
514-00	Inventory Variance, Food	560-00 Replacements
515-00	Purchases, Food	-01 Dinnerware
520-00	Advertising / Promotion	-02 Glassware
521-00	Alarm Service	-03 Kitchenware
522-00	Accounting	-04 Silverware
523-00	Audit	-05 Other
524-00	Auto Expense	561-00 Salaries & Wages
525-00	Dining Room Supplies	-01 Kitchen
526-00	Kitchen Supplies	-02 Waitress / Busboy
530-00	Cash Over/Short	-03 Management
531-00	Cleaning Supplies	-04 Office
532-00	Commissions	-05 Other
533-00	Decorations	562-00 Taxes
534-00	Depreciation	-01 Payroll
535-00	Employee Benefits	-02 Property
540-00	Equipment Rental	-03 Other
542-00	Insurance / Fidelity Bonds	563-00 Telephone
543-00	Janitorial Expense	564-00 Uniforms
-01 Supplies		565-00 Utilities
-02 Contract Labor		-01 Electricity
544-00	Laundry	-02 Gas
545-00	Licenses	-03 Fuel Oil
550-00	Menus	-04 Trash Removal
551-00	Meals Furnished to Employees	-05 Coal
552-00	Miscellaneous & Unassigned	-06 Other
553-00	Music & Entertainment	566-00 Other expense categories
554-00	Rent	thru
555-00	Repairs & Maintenance	599-00
<hr/>		
<b><u>OTHER INCOME AND EXPENSE:</u></b>		
600-00	Use these series as necessary to record income and expenses for bowling, golf course, swimming pool, etc.	
thru		
999-99		

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL**

**INTRODUCTION:** Use of the **Uniform Chart of Accounts** (Standard or Departmental) 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 should prepare its own listing of the accounts it will use 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:

Accounts needed by Trustees and entity managers for budget comparison and financial management.

Accounts needed to complete Federal, State and local income tax returns.

Accounts needed to complete the annual Audit Report.

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

<b><u>BASIC OUTLINE:</u></b>	<b>1000-1999 Series</b>	<b>Assets</b>
	<b>2000-2999 Series</b>	<b>Liabilities and Equity</b>
	<b>3000-3999 Series</b>	<b>Income</b>
	<b>4000-4999 Series</b>	<b>Cost of Goods Sold</b>
	<b>5000-5999 Series</b>	<b>Expenses</b>
	<b>6000-6999 Series</b>	} Use these numbers as necessary to record income and expenses for departments in excess of nine.
	<b>7000-7999 Series</b>	
	<b>8000-8999 Series</b>	
	<b>9000-9999 Series</b>	

**LIST OF DEPARTMENTS:** The **second** and **last** digit of each Account number **will always be the same** and will identify the department. **All** Income Account numbers will begin with **3**. **All** Expense Account numbers will begin with **5** except for **Cost of Goods Sold** which begins with **4**. Examples of Income Accounts: Account #**3110.01** = Membership dues, Fraternal Department; Account #**3210.02** = New Year Dance, Lodge Activities Department; Account #**3410.04** = Liquor Sales, Bar Department; and Account #**5510.05** = Food Sales, Dining Room Department. Examples of Expense Accounts: Account #**5101.01** = Accounting, Fraternal Department; Account #**5210.02** = New Year Dance, Lodge Activities Department; Account #**5410.04** = Accounting, Bar Department; and Account #**5501.05** = Accounting, Dining Room Department. Examples of **Cost of Goods Sold** Expense Accounts: Account #**4450.04**, Purchases-Liquor, Bar Department; and Account #**4550.05**, Purchases-Food, Dining Room Department.

<u>NUMBER</u>	<u>NAME</u>
<u>          </u> .00	<b>Assets, Liabilities and Equity “Balance Sheet Accounts” &amp; Income &amp; Expense Consolidation Accounts Only.</b>
.01	Fraternal
.02	Lodge Activities
.03	Building Association
.04	Bar
.05	Dining Room
.06	Charity
.07	Bingo
.08 } to } .99 }	Departments available for Lodge, Club or Restricted usage.

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL**

<u>A/C No.</u>	<u>Description</u>	<u>Notes</u>
<b><u>CURRENT ASSETS:</u></b>		
1010.00	Cash on Hand	Cash not on deposit excluding cash in transit to be deposited. Deposits should be made currently and not held for accumulation.
1020.00	Cash in Bank-Checking	Use separate number for each account. Each account should be reconciled monthly and should agree with account balance in General Ledger.
1030.00	Cash in Savings (Unrestricted)	Use separate number for each account. Each must be supported by passbook or certificate of deposit. These funds are of a current or liquid nature such as CDs which mature within 12 months. If not current, see 1810.00.
1040.00	Cash on Deposit (Restricted Funds)	Use this series instead of the 1030.00 series for funds that have a restricted use. Balances in these accounts should agree with restricted fund liability accounts, 2410.00 thru 2490.00.
1050.00	Accounts Receivable	Receivable such as credit card sales, returned checks and other items due the Lodge with exception of those covered by 1060.00 and 1070.00. Do not use for unpaid dues. Delinquent dues are not considered to be an asset. See 2110.00 and 3110.01 for proper posting of membership dues.
1060.00	Notes or Contracts (Receivable)	For example, note held by Lodge for property it sold. Use separate number for each account.
1070.00	Interest Receivable	Unpaid interest due at date of financial statement. Normally recorded by journal entry.
1080.00	Inventory	Unusual supplies (such as large amounts of office supplies) and merchandise for resale, on hand or not used, at time monthly, quarterly or annual physical inventory is taken, and always as of March 31st. Recorded by journal entry when financial statements are prepared. Use separate number for each account.
1081.00	Inventory - Lodge Supplies	
1082.00	Inventory - Bar	
1083.00	Inventory - Dining Room	
1090.00	Prepaid Expense	Use separate number for each additional prepaid account for any expense that covers a period extending beyond date of financial statement. Lodges using accrual method make monthly or quarterly adjustments debiting the facility covered and crediting these accounts. All Lodges should use these accounts as of March 31st.
1091.00	Prepaid Expense - Insurance	
1092.00	Prepaid Expense - Licenses	
1093.00	Prepaid Expense - Per Capita, Grand Lodge	

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL**

<u>A/C No.</u>	<u>Description</u>	<u>Notes</u>
<b>CURRENT ASSETS:</b>		
1094.00	Prepaid Expense - Per Capita, State	
1095.00	Prepaid Expense - Rent	
1096.00	Prepaid Expense - Taxes	
1100.00	Deposits	Use when deposit is required by vendor or contractor. This account is credited and appropriate expense account debited when deposit is used to pay a bill.
1110.00 through 1499.00	Other Current Assets	Use these accounts for other current assets not included in one of the prior listed accounts.
<hr/> <b>FIXED ASSETS:</b>		
1500.00	Land	Use when land is purchased. Do not include cost of buildings or improvements. Land may not be depreciated.
1510.00	Buildings	Use for buildings purchased and capital improvements. Do not include cost of land. When good accounting practice requires separation, use separate accounts, such as:
		1511.00 Lodge
		1512.00 Swimming Pool
		1513.00 Golf Course Structures
		1514.00 Land Improvements (Parking Lots, Fences, etc.)
1520.00	Allowance for Depreciation-Buildings	Use this account to accrue building depreciation. Balance is always a credit. Normally adjustments are made at end of year, crediting this account and debiting expense account such as 5119.01, 5419.04, etc. For strict accrual method, monthly or quarterly adjustments may be made.
1530.00	Furniture, Fixtures and Equipment	Use for all depreciable personal property assets purchased or received by donation.
1540.00	Allowance for Depreciation - Furn., Fixt., & Equipment	Use to accrue depreciation on personal property assets that are included in 1530.00. Adjust as for 1520.00, above.
1550.00 through 1799.00	Other Fixed Assets	Use for any other fixed assets not included in prior accounts.



**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL**

<u>A/C No.</u>	<u>Description</u>	<u>Notes</u>
<b>OTHER ASSETS:</b>		
1800.00	Stocks	Use for stock market investments.
1810.00	Other Assets	Use for assets not covered in prior accounts, normally bonds, CDs, etc., which are not of a current or liquid nature.
<b>CURRENT LIABILITIES:</b>		
2010.00	Accounts Payable	Supplies or services received but not paid for at end of accounting period.
2020.00	Contracts Payable-Short Term	Any sum due on a contract within a 12-month period.
2030.00	Notes Payable-Short Term	Any sum due on a note within a 12-month period.
2040.00	Accrued Compensation Insurance	Usually a substantial amount and not paid in current accounting period. At end of accounting period a credit to this account and debit to expense account is necessary.
2050.00	Accrued Income Tax	Normally used at end of year when determination has been made of income tax due, if any.
2060.00	Accrued Interest	Use when interest has accrued but not paid at end of accounting period.
2070.00	Accrued Payroll Taxes	Use to record taxes accrued but not paid at end of accounting period, including withholding and employer's share. Following separate accounts are suggested:
	2071.00	Accrued State Unemployment Tax
	2072.00	Accrued Federal Unemployment Tax
	2073.00	Accrued Social Security Tax (FICA)
	2074.00	Accrued Federal Income Tax Withheld
	2075.00	Accrued State Income Tax Withheld
	2076.00	Accrued Workers Compensation
2080.00	Accrued Property Taxes	Accrued but not paid at end of accounting period.
2090.00	Accrued Sales Tax	Sales tax collected but not paid at end of accounting period.
2100.00	Accrued Wages	Accrued salaries and wages not paid at end of accounting period.
2110.00	Prepaid Dues	Credit to this account all member dues received in a fiscal year prior to year to which they apply. On April 1st of the year to which the dues apply debit such dues to this account and credit income account 3110.01 by journal entry. See Sections 1-105d and 1-111 of this Manual.
2120.00 through 2299.00	Other Current Liabilities	Use these accounts for all other current liabilities not covered in prior accounts.

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL**

<u>A/C No.</u>	<u>Description</u>	<u>Notes</u>
<b>TERM LIABILITIES:</b>		
2310.00	Contracts Payable-Long Term	Any sum due on a contract subsequent to the 12-month period as referred to for 2020.00, above.
2320.00	Notes Payable - Long Term	Same principle as for 2310.00, above. See 2030.00.
2330.00	Mortgage Payable	This account records the total mortgage principal due. Interest is recorded as expense - account 5143.01.
2340.00 through 2399.00	Other Term Liabilities	Use for other long term liabilities not covered in prior accounts.
<hr/> <hr/>		
<b>RESTRICTED FUNDS:</b>		
2410.00	Charity	} To record money collected and held in trust and which is to be used for the sole purpose for which it was intended. These accounts are credited for receipts and debited for disbursements, using separate account structure as necessary. Balance in each account reflects the net fund held in trust.
2420.00	Bingo	
2430.00	Elks National Foundation	
2440.00	Major Project Fund	
2450.00 through 2499.00	Other Restricted Funds	Use for other restricted funds not covered in prior accounts.
<hr/> <hr/>		
<b>DEFERRED INCOME:</b>		
2820.00	Prepaid Fees	Credit to this account all membership application fees (initiation, reinstatement or affiliation) at the time they are received. When the applicant is joined by initiation, reinstatement or affiliation, debit the fee to this account and credit income account 3115.01 by journal entry. Balance in this account represents fees collected from applicants not yet joined.
2830.00	Prepaid Rent	Credit to this account rents collected in advance for future accounting periods. Debit this account and credit appropriate income account by journal entry as rent becomes due.
2840.00	Other Prepaid Income	Use this account, with separate accounts as required, for other prepaid income not included in one of the prior accounts, such as deposits collected for parties that will occur in a later accounting period, golf course dues collected in a fiscal year prior to year to which they apply, etc. At the beginning of the new fiscal year debit this account and credit the appropriate income account, by journal entry.

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL**

<b>A/C No.</b>	<b>Description</b>	<b>Notes</b>
<b>EQUITY:</b>		
2910.00	Equity	This account reflects the net worth of the Lodge. Credit profit (excess of income over expenses) to this account each accounting period. Debit loss (excess of expenses over income).
<hr/>		
<b>LODGE INCOME:</b>		
3110.01	Membership Dues	Use separate accounts if desired for Regular Members, Life Members, New Members, Reinstatement Dues, etc. Use an account in the 3160.01 to 3199.01 for Association Member Dues.
3115.01	Membership Fees	Use separate accounts if desired for initiation fees, reinstatement fees, affiliation fee, Certificates of Release, etc.
3120.01	Rents	Use separate accounts if desired for rent of Lodge, Club, etc.
3130.01	Dividends	
3140.01	Interest Earned	
3150.01	Bequests (Unrestricted)	If restricted, use restricted fund accounts.
3155.01	Contributions (Unrestricted)	If restricted, use restricted fund accounts.
3160.01 through 3199.01	Miscellaneous	Use as desired for key card sales, emblem and jewelry sales, Associate Member Dues, insurance claims, etc.
<b>3210.02 through 3299.02</b>	<b>Lodge Activities Income</b>	Use for income of <b>fund-raising</b> activities and events if net proceeds are not restricted. If restricted, use accounts in 2410.00 thru 2499.00 series.
<hr/>		
<b>LODGE EXPENSES:</b>	<b>5139.00</b>	<b>Office Expenses</b>
5101.01	Accounting	5139.01 Auto Travel
5103.01	Audit	5140.01 Postage
5105.01	Amortization	5141.01 Stationery
5107.01	Badges & Pins	5142.01 Printing & Copying
5109.01	Bulletin	5143.01 Grand Lodge Supplies
5111.01	Key Card Expense	5144.01 Office Supplies
5113.01	Cash Over/Short (Lodge only)	5145.01 Officers Expense
5115.01	Convention Expense	<b>5147.00 Officers Salaries</b>
5117.01	Data Processing	5147.01 Secretary
5119.01	Depreciation	5148.01 Treasurer
5121.01	Dignitary Visitations	5149.01 Tiler
5123.01	Employee Benefits	5150.01 Organist
5125.01	Insurance & Fidelity Bonds	<b>5151.00 Per Capita Tax</b>
5127.01	Interest (Mtge., Notes, Etc.)	5151.01 Grand Lodge
<b>5129.00</b>	<b>Janitorial</b>	5152.01 State
5129.01	Supplies	5153.01 Publicity & Photography
5130.01	Contract Labor	<b>5155.00 Rent/Leasing</b>
5131.01	Legal	5155.01 Real Property
5133.01	Lodge Supplies	5157.01 Equipment
5135.01	Loss on Bad Checks	5159.01 Repairs & Maintenance
5137.01	Miscellaneous & Unassigned	

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL**

<b>A/C No.</b>	<b>Description</b>	<b>A/C No.</b>	<b>Description</b>
<b>LODGE EXPENSES (Cont'd):</b>		<b>5175.00</b>	<b>Utilities</b>
5161.01	Ritual Expense	5175.01	Electricity
<b>5165.00</b>	<b>Salaries &amp; Wages</b>	5176.01	Gas
5165.01	Doorman	5177.01	Fuel Oil
5166.01	Janitorial	5178.01	Trash Removal
5167.01	Office	5179.01	Coal
5168.01	Security	5180.01	Other
5169.01	Other	5181.01	} Other Lodge Expenses
<b>5170.00</b>	<b>Taxes</b>	through	
5170.01	Payroll	5199.01	
5171.01	Property (Real Estate)	<b>5210.02</b>	} <b>Lodge Activities Expense</b> <b>(Fund-raising activities if</b> <b>proceeds are not restricted)</b>
5172.01	Other	<b>through</b>	
5173.01	Telephone	<b>5299.02</b>	

**BUILDING ASSOCIATION INCOME:**

3310.03	Building Association Income
through	(Rents, etc.)
5399.03	

**BUILDING ASSOCIATION EXPENSES:**

5301.03	Building Association Expenses
through	(Taxes, etc.)
5399.03	

**BAR OR SOCIAL QUARTERS INCOME:**

		3470.04	Machine Income
3410.04	Liquor Sales	3480.04	} Other Income
3420.04	Beer Sales	through	
3430.04	Sundries Sales	3499.04	
3450.04	Recreation Room		
3460.04	Facilities Rental		

**BAR OR SOCIAL QUARTERS—COST OF GOODS SOLD:**

4440.04	Inventory Variance	4481.04	} Other Cost of Goods Expense
<b>4450.00</b>	<b>Purchases</b>	through	
4450.04	Liquor	4499.04	
4460.04	Beer		
4470.04	Bar Supplies		
4480.04	Sundries		

**BAR OR SOCIAL QUARTERS EXPENSES:**

5401.04	Accounting	5407.04	Alarm Service
5403.04	Audit	5409.04	Auto Expense
5405.04	Advertising/Promotion	5411.04	Recreation Room Expense

— EXHIBIT A — (continued)

**UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL**

<u>A/C No.</u>	<u>Description</u>	<u>A/C No.</u>	<u>Description</u>
<b>BAR OR SOCIAL QUARTERS EXPENSES (Cont'd):</b>			
5413.04	Cash Over/Short	<b>5465.00</b>	<b>Salaries &amp; Wages</b>
5415.04	Credit Card Expense	5465.04	Direct Labor (Bartenders, Etc.)
5417.04	Cleaning Supplies	5466.04	Management
5418.04	Commissions	5467.04	Office
5419.04	Depreciation	5468.04	Other
5421.04	Decorations	<b>5470.00</b>	<b>Taxes</b>
5423.04	Employee Benefits	5470.04	Payroll
5425.04	Insurance/Fidelity Bonds	5471.04	Property
5427.04	Ice	5472.04	Other
<b>5429.00</b>	<b>Janitorial Expense</b>	5473.04	Telephone
5429.04	Supplies	5474.04	Uniforms
5430.04	Contract Labor	<b>5475.00</b>	<b>Utilities</b>
5431.04	Laundry	5475.04	Electricity
5532.04	Licenses	5476.04	Gas
5433.04	Machine Service	5477.04	Fuel Oil
5435.04	Music & Entertainment	5478.04	Trash Removal
5437.04	Miscellaneous & Unassigned	5479.04	Coal
5455.04	Rent	5480.04	Other
5459.04	Repairs & Maintenance	5481.04	} Other Expense Categories
<b>5460.00</b>	<b>Replacements</b>	through	
5460.04	Glassware	5499.04	
5461.04	Other		
<hr/>			
<b>DINING ROOM INCOME:</b>		3520.05	} Other Income Categories
3510.05	Food Sales	through 3599.05	
<hr/>			
<b>DINING ROOM COST OF GOODS SOLD:</b>		4560.05	} Other Cost of GoodsExpense
4540.05	Inventory Variance, Food	through	
4550.05	Purchases, Food	4599.05	
<hr/>			
<b>DINING ROOM EXPENSES:</b>			
5501.05	Accounting	5523.05	Employee Benefits
5503.05	Audit	5525.05	Insurance/Fidelity Bonds
5505.05	Advertising/Promotion	<b>5529.00</b>	<b>Janitorial Expenses</b>
5507.05	Alarm Service	5529.05	Supplies
5509.05	Auto Expense	5530.05	Contract Labor
5511.05	Dining Room Supplies	5531.05	Laundry
5512.05	Kitchen Supplies	5532.05	Licenses
5513.05	Cash Over/Short	5533.05	Menus
5517.05	Cleaning Supplies	5534.05	Meals Furnished to Employees
5518.05	Commissions	5535.05	Music & Entertainment
5519.05	Depreciation	5537.05	Miscellaneous & Unassigned
5521.05	Decorations	5555.05	Rent

**— EXHIBIT A — (continued)**

**UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL**

<u>A/C No.</u>	<u>Description</u>	<u>A/C No.</u>	<u>Description</u>
<b>DINING ROOM EXPENSES (Cont'd):</b>			
5559.05	Repairs & Maintenance	<b>5570.00</b>	<b>Taxes</b>
<b>5560.00</b>	<b>Replacements</b>	5570.05	Payroll
5560.05	Dinnerware	5571.05	Property
5561.05	Glassware	5572.05	Other
5562.05	Kitchenware	5573.05	Telephone
5563.05	Silverware	5574.05	Uniforms
5564.05	Other	<b>5575.00</b>	<b>Utilities</b>
<b>5565.00</b>	<b>Salaries &amp; Wages</b>	5575.05	Electricity
5565.05	Kitchen	5576.05	Gas
5566.05	Waitress/Busboy	5577.05	Fuel Oil
5567.05	Management	5578.05	Trash Removal
5568.05	Office	5579.05	Coal
5569.05	Other	5580.05	Other
		5581.05	} Other Expense Categories
		through	
		5599.05	

**CHARITY RECEIPTS (INCOME):**

3610.06 }  
through } Charity Receipts  
3699.06 }

**CHARITY DISBURSEMENTS (EXPENSES):**

5610.06 }  
through } Charity Disbursements  
5699.06 }

**BINGO RECEIPTS (INCOME):**

3710.07	Bingo Games	Receipts/Income handling is determined by local and state laws. If use of funds restricted by law they are reported here and on Page 5 of annual audit forms. If use of funds is unrestricted they are reported using an account in 3160.01 to 3199.01 series and are reported on Page 3 of the annual audit forms.
3711.07	Pull Tabs	
3712.07	} Other Bingo Income	
through		
3799.07		

**BINGO DISBURSEMENTS (EXPENSES):**

5701.07	} Bingo Disbursements (Expenses)	Same principle as Bingo Receipts (Income).
through		
5799.07		

**OTHER INCOME AND EXPENSE:**

6000 Series	} Other Departments	Use these series as necessary to record income & expenses when additional departments are needed.
through		
9000 Series		

— EXHIBIT A — (continued)

UNIFORM CHART OF ACCOUNTS  
DEPARTMENTAL

DEPARTMENTAL HANDLING OF RESTRICTED ACCOUNTS:

Handling of Restricted Funds requires special consideration. Restricted Funds such as the Asset account #1040 must equal the offsetting restricted liability accounts in #2400 series. These accounts require offset postings to each other (debit one, credit the other, and vice versa) and they should always be (equal) in balance. Restricted fund accounting presents a reporting challenge—you must pull out receipt and disbursement information from these accounts to provide the financial data needed for budget comparisons. You also need a detailed breakdown to properly fill out Page 5 of the Grand Lodge annual audit.

When your Lodge deems it appropriate you can present the information in a Profit (Loss) Statement format. This approach does not relieve the Lodge from keeping restricted accounts balanced. The Profit (Loss) Statement must be closed periodically (monthly, quarterly but at least annually) to the corresponding restricted liability account. This is done by journal entry.

It will bring the restricted liability account into balance with the corresponding restricted asset account. The following example using the Charity restricted fund asset account, Cash on Deposit #1040 and Charity restricted fund liability account #2410.00 will describe how it works.

For this example, Charity asset account #1040.00 has a beginning balance of \$5,000.00 and the Charity liability account #2410.00 likewise has a beginning balance of \$5,000.00. Keep in mind that Charity asset account #1040.00 has a debit balance and Charity liability account #2410.00 has a credit balance. These are normal account balances.

For this example assume that Charity receipts (income) for the month of April were \$1,000.00 and Charity disbursements (expenses) for the same period were \$800.00. The receipts (income) were deposited into and disbursements (expenses) were paid out of Charity asset account #1040.00. The Charity asset account #1040.00 would now equal \$5,200.00 (\$1,000.00 receipts (income) minus \$800.00 disbursements (expenses)).

The Profit and Loss Statement would show account #3610.06 with \$1,000.00 of receipts (income) and account #5601.06 with \$800.00 of disbursements (expenses) or \$200.00 of excess receipts over disbursements (profit). Account #2410.00 remains at \$5,000.00 until the Profit & Loss Statement is closed to the offset liability account #2410.00.

We next create account #5699.06 and call it “**Charity closing account**”. This is a below-the-line account created for closing purposes only. Your journal entry would be a \$200.00 debit to account #5699.06 and a \$200.00 credit to account #2410.00. That journal entry increases account #2410.00 to \$5,200.00 which brings it into balance with the \$5,200.00 in account #1040.00.

The Profit and Loss Statement decreases by \$200.00 and now shows a zero balance but contains information needed for budget comparison considerations by Lodge Management and the financial data needed by the Lodge to complete Page 5 of the Grand Lodge annual audit.

<b>CURRENT ASSETS:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
<b>GENERAL</b>	<b>DEPARTMENTAL</b>	<b>DESCRIPTION</b>		
101-00	1010.00	Cash on Hand	CURRENT YEAR – PAGE 2, LINE 1	Page 3(B), Line 45
102-00	1020.00	Cash in Bank – Checking (Unrestricted)	CURRENT YEAR – PAGE 2, LINE 1	Page 3(B), Line 46
103-00	1030.00	Cash in Savings (Unrestricted)	CURRENT YEAR – PAGE 2, LINE 1	Page 3(B), Line 46
104-00	1040.00	Cash on Deposit (Restricted)	CURRENT YEAR – PAGE 2, LINE 1	Page 3(B), Line 46
105-00	1050.00	Accounts Receivable	CURRENT YEAR – PAGE 2, LINE 14	Page 3(B), Line 47c
106-00	1060.00	Notes or Contracts (Receivable)	CURRENT YEAR – PAGE 2, LINE 14	Page 3(B), Line 51c
107-00	1070.00	Interest Receivable	CURRENT YEAR – PAGE 2, LINE 14	Page 3(B), Line 58
108-00	1080.00	Inventory	DO NOT USE	
108-01	1081.00	Inventory – Lodge Supplies	CURRENT YEAR – PAGE 2, LINE 14	Page 3(B), Line 52
108-02	1082.00	Inventory – Bar	CY – PAGE 2, LINE 3 & BAR – PAGE 8, LINE 5	Page 3(B), Line 52
108-03	1083.00	Inventory – Dining Room	CY – PAGE 2, LINE 3 & DR – PAGE 8, LINE 5	Page 3(B), Line 52
109-00	1090.00	Prepaid Expense	DO NOT USE	
109-01	1091.00	Prepaid Expense – Insurance	CURRENT YEAR – PAGE 2, LINE 2	Page 3(B), Line 53
109-02	1092.00	Prepaid Expense – Licenses	CURRENT YEAR – PAGE 2, LINE 2	Page 3(B), Line 53
109-03	1093.00	Prepaid Expense – Per Capita, Grand Lodge	CURRENT YEAR – PAGE 2, LINE 2	Page 3(B), Line 53
109-04	1094.00	Prepaid Expense – Per Capita, State	CURRENT YEAR – PAGE 2, LINE 2	Page 3(B), Line 53
109-05	1095.00	Prepaid Expense – Rent	CURRENT YEAR – PAGE 2, LINE 2	Page 3(B), Line 53
109-06	1096.00	Prepaid Expense – Taxes	CURRENT YEAR – PAGE 2, LINE 2	Page 3(B), Line 53
110-00	1100.00	Deposits	CURRENT YEAR – PAGE 2, LINE 14	Page 3(B), Line 53
111-00	1110.00	Other Current Assets	CURRENT YEAR – PAGE 2, LINE 2	Page 3(B), Line 58
through	through		CURRENT YEAR – PAGE 2, LINE 2	Page 3(B), Line 58
149-00	1499.00		CURRENT YEAR – PAGE 2, LINE 2	Page 3(B), Line 58
<b>FIXED ASSETS:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
<b>GENERAL</b>	<b>DEPARTMENTAL</b>	<b>DESCRIPTION</b>		
150-00	1500.00	Land	CURRENT YEAR – PAGE 2, LINE 11	Page 3(B), Line 57c
151-00	1510.00	Buildings	CURRENT YEAR – PAGE 2, LINE 6	Page 3(B), Line 57a
152-00	1520.00	Allow for Depreciation–Buildings	CURRENT YEAR – PAGE 2, LINE 9	Page 3(B), Line 57b
153-00	1530.00	Furniture, Fixtures and Equipment	CURRENT YEAR – PAGE 2, LINE 7	Page 3(B), Line 57a
154-00	1540.00	Allow for Depreciation–Furn., Fixt., & Equip.	CURRENT YEAR – PAGE 2, LINE 9	Page 3(B), Line 57a
155-00	1550.00	Other Fixed Assets	CURRENT YEAR – PAGE 2, LINE 7	Page 3(B), Line 58
through	through		CURRENT YEAR – PAGE 2, LINE 7	Page 3(B), Line 58
179-00	1799.00		CURRENT YEAR – PAGE 2, LINE 7	Page 3(B), Line 58
<b>OTHER ASSETS:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
<b>GENERAL</b>	<b>DEPARTMENTAL</b>	<b>DESCRIPTION</b>		
180-00	1800.00	Stocks	CURRENT YEAR – PAGE 2, LINE 13	Page 3(B), Line 58
181-00	1810.00	Other Assets	CURRENT YEAR – PAGE 2, LINE 14	Page 3(B), Line 58
<b>CURRENT LIABILITIES:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
<b>GENERAL</b>	<b>DEPARTMENTAL</b>	<b>DESCRIPTION</b>		
201-00	2010.00	Accounts Payable	CURRENT YEAR – PAGE 2, LINE 17	Page 3(B), Line 60
202-00	2020.00	Contracts Payable – Short Term	CURRENT YEAR – PAGE 2, LINE 18	Page 3(B), Line 60
203-00	2030.00	Notes Payable – Short Term	CURRENT YEAR – PAGE 2, LINE 18	Page 3(B), Line 60
204-00	2040.00	Accrued Compensation Insurance	CURRENT YEAR – PAGE 2, LINE 20	Page 3(B), Line 60
205-00	2050.00	Accrued Income Tax	CURRENT YEAR – PAGE 2, LINE 20	Page 3(B), Line 60
206-00	2060.00	Accrued Interest	CURRENT YEAR – PAGE 2, LINE 20	Page 3(B), Line 60
207-00	2070.00	Accrued Payroll Taxes	CURRENT YEAR – PAGE 2, LINE 20	Page 3(B), Line 60
208-00	2080.00	Accrued Property Taxes	CURRENT YEAR – PAGE 2, LINE 20	Page 3(B), Line 60
209-00	2090.00	Accrued Sales Tax	CURRENT YEAR – PAGE 2, LINE 20	Page 3(B), Line 60
210-00	2100.00	Accrued Wages	CURRENT YEAR – PAGE 2, LINE 20	Page 3(B), Line 60
211-00	2110.00	Deferred Dues & Fees	CURRENT YEAR – PAGE 2, LINE 19	Page 3(B), Line 65
212-00	2120.00	Other Current Liabilities	CURRENT YEAR – PAGE 2, LINE 20	Page 3(B), Line 65
through	through			Page 3(B), Line 65
230-00	2299.00			Page 3(B), Line 65



<b>TERM LIABILITIES:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
231-00	2310.00	Contracts Payable – Long Term	CURRENT YEAR – PAGE 2, LINE 22	Page 3(B), Line 65
232-00	2320.00	Notes Payable – Long Term	CURRENT YEAR – PAGE 2, LINE 22	Page 3(B), Line 65
233-00	2330.00	Mortgage Payable	CURRENT YEAR – PAGE 2, LINE 22	Page 3(B), Line 65
234-00	2340.00	Other Term Liabilities	CURRENT YEAR – PAGE 2, LINE 22	Page 3(B), Line 65
through	through			Page 3(B), Line 65
239-00	2399.00			Page 3(B), Line 65
<b>RESTRICTED FUNDS:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
241-00	2410.00	Charity	CURRENT YEAR – PAGE 2, LINE 27	Page 3(B), Line 46
242-00	2420.00	Bingo	CURRENT YEAR – PAGE 2, LINE 27	Page 3(B), Line 46
243-00	2430.00	Elks National Foundation	CURRENT YEAR – PAGE 2, LINE 27	Page 3(B), Line 46
244-00	2440.00	Major Project Fund	CURRENT YEAR – PAGE 2, LINE 27	Page 3(B), Line 46
245-00	2450.00	Other Restricted Funds	CURRENT YEAR – PAGE 2, LINE 28	Page 3(B), Line 46
through	through			Page 3(B), Line 46
279-00	2799.00			Page 3(B), Line 46
<b>DEFERRED INCOME:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
282-00	2820.00	Prepaid Fees	CURRENT YEAR – PAGE 2, LINE 25	Page 3(B), Line 46
283-00	2830.00	Prepaid Rent	CURRENT YEAR – PAGE 2, LINE 25	Page 3(B), Line 46
284-00	2840.00	Other Prepaid Income	CURRENT YEAR – PAGE 2, LINE 25	Page 3(B), Line 46
<b>EQUITY:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
291-00	2910.00	Equity	CURRENT YEAR – PAGE 2, LINE 30	
<b>LODGE INCOME:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
301-00	3110.01	Membership Dues	CY – PAGE 3, LINE 1 & PAGE 10, LINE 8	Pt I, Ln 3;Pt VII, Ln 94
302-00	3115.01	Membership Fees	CY – PAGE 3, LINE 1 & PAGE 11, LINE 19	Pt I, Ln 3;Pt VII, Ln 94
305-00	3120.01	Rents	CURRENT YEAR – PAGE 3, LINE 3	Pt I, Ln 11;Pt VII, Ln 103
306-00	3130.01	Dividends	CURRENT YEAR – PAGE 3, LINE 4	Pt I, Ln 4;Pt VII, Ln 95
307-00	3140.01	Interest Earned	CURRENT YEAR – PAGE 3, LINE 4	Pt I, Ln 4;Pt VII, Ln 95
308-00	3150.01	Bequests (Unrestricted)	CURRENT YEAR – PAGE 3, LINE 5	Pt I, Ln 11;Pt VII, Ln 103
309-00	3155.01	Contributions (Unrestricted)	CURRENT YEAR – PAGE 3, LINE 5	Pt I, Ln 11;Pt VII, Ln 103
311-00	3160.01	Miscellaneous	CURRENT YEAR – PAGE 3A, LINE (1-6)	Pt I, Ln 11;Pt VII, Ln 103
through	through			Pt I, Ln 11;Pt VII, Ln 103
314-00	3199.01			Pt I, Ln 11;Pt VII, Ln 103
315-00	<b>3210.02</b>	<b>Lodge Activities Income</b>	CURRENT YEAR – PAGE 3, LINE 6	Pt I, Ln 11;Pt VII, Ln 103
through	<b>through</b>			Pt I, Ln 11;Pt VII, Ln 103
315-99	<b>3299.02</b>			Pt I, Ln 11;Pt VII, Ln 103
<b>LODGE EXPENSES:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
330-00	5101.01	Accounting	CURRENT YEAR – PAGE 3, LINE 9	Part II, Line 31
331-00	5103.01	Audit	CURRENT YEAR – PAGE 3, LINE 10	Part II, Line 31
332-00	5105.01	Amortization	CURRENT YEAR – PAGE 3A, LINE (8-39)	Part II, Line 42
333-00	5107.01	Badges & Pins	CURRENT YEAR – PAGE 3, LINE 20	Part II, Line 43
334-00	5109.01	Bulletin	CURRENT YEAR – PAGE 3, LINE 11	Part II, Line 38
335-00	5111.01	Key Card Expense	CURRENT YEAR – PAGE 3, LINE 20	Part II, Line 43
336-00	5113.01	Cash Over/Short (Lodge Only)	CURRENT YEAR – PAGE 3A, LINE (8-39)	Part II, Line 43
337-00	5115.01	Convention Expense	CURRENT YEAR – PAGE 3, LINE 12	Part II, Line 40
338-00	5117.01	Data Processing	CURRENT YEAR – PAGE 3, LINE 13	Part II, Line 43
339-00	5119.01	Depreciation	CURRENT YEAR – PAGE 3, LINE 35	Part II, Line 42
340-00	5121.01	Dignitary Visitations	CURRENT YEAR – PAGE 3, LINE 14	Part II, Line 40
341-00	5123.01	Employee Benefits	CURRENT YEAR – PAGE 3, LINE 15	Part II, Line 43
342-00	5125.01	Insurance & Fidelity Bonds	CURRENT YEAR – PAGE 3, LINE 16	Part II, Line 43
343-00	5127.01	Interest (Mortgage, Notes, etc.)	CURRENT YEAR – PAGE 3, LINE 17	Part II, Line 41

344-00	<b>5129.00</b>	Janitorial Expenses	DO NOT USE	
344-01	5129.01	Supplies	CURRENT YEAR – PAGE 3, LINE 18	Part II, Line 33
344-02	5130.01	Contract Labor	CURRENT YEAR – PAGE 3, LINE 18	Part II, Line 43
345-00	5131.01	Legal	CURRENT YEAR – PAGE 3, LINE 9	Part II, Line 32
346-00	5133.01	Lodge Supplies	CURRENT YEAR – PAGE 3, LINE 19	Part II, Line 33
347-00	5135.01	Loss on Bad Checks	CURRENT YEAR – PAGE 3A, LINE (8-39)	Part II, Line 43
348-00	5137.01	Miscellaneous & Unassigned	CURRENT YEAR – PAGE 3A, LINE (8-39)	Part II, Line 43
349-00	<b>5139.00</b>	Office Expenses	DO NOT USE	
349-01	5139.01	Auto Travel	CURRENT YEAR – PAGE 3, LINE 20	Part II, Line 43
349-02	5140.01	Postage	CURRENT YEAR – PAGE 3, LINE 20	Part II, Line 43
349-03	5141.01	Stationery	CURRENT YEAR – PAGE 3, LINE 20	Part II, Line 43
349-04	5142.01	Printing & Copying	CURRENT YEAR – PAGE 3, LINE 20	Part II, Line 43
349-05	5143.01	Grand Lodge Supplies	CURRENT YEAR – PAGE 3, LINE 20	Part II, Line 43
349-06	5144.01	Office Supplies	CURRENT YEAR – PAGE 3, LINE 20	Part II, Line 43
350-00	5145.01	Officers Expense	CURRENT YEAR – PAGE 3, LINE 21	Part II, Line 43
351-00	<b>5147.00</b>	Officers Salaries	DO NOT USE	
351-01	5147.01	Secretary	CURRENT YEAR – PAGE 3, LINE 26	Part II, Line 25
351-02	5148.01	Treasurer	CURRENT YEAR – PAGE 3, LINE 26	Part II, Line 25
351-03	5149.01	Tiler	CURRENT YEAR – PAGE 3, LINE 26	Part II, Line 25
351-04	5150.01	Organist	CURRENT YEAR – PAGE 3, LINE 26	Part II, Line 25
352-00	<b>5151.00</b>	Per Capita Tax	DO NOT USE	
352-01	5151.01	Grand Lodge	CURRENT YEAR – PAGE 3, LINE 22	Part II, Line 43
352-00	5152.01	State	CURRENT YEAR – PAGE 3, LINE 22	Part II, Line 43
353-00	5153.01	Publicity & Photography	CURRENT YEAR – PAGE 3A, LINE (8-39)	Part II, Line 43
354-00	<b>5155.00</b>	Rent/Leasing	DO NOT USE	
354-01	5155.01	Real Property	CURRENT YEAR – PAGE 3, LINE 24	Part II, Line 43
354-02	5157.01	Equipment	CURRENT YEAR – PAGE 3, LINE 24	Part II, Line 43
355-00	5159.01	Repairs & Maintenance	CURRENT YEAR – PAGE 3, LINE 25	Part II, Line 43
356-00	5161.01	Ritual Expense	CURRENT YEAR – PAGE 3A, LINE (8-39)	Part II, Line 43
361-00	<b>5165.00</b>	Salaries & Wages	DO NOT USE	
361-01	5165.01	Doorman	CURRENT YEAR – PAGE 3, LINE 26	Part II, Line 26
361-02	5166.01	Janitorial	CURRENT YEAR – PAGE 3, LINE 26	Part II, Line 26
361-03	5167.01	Office	CURRENT YEAR – PAGE 3, LINE 26	Part II, Line 26
361-04	5168.01	Security	CURRENT YEAR – PAGE 3, LINE 26	Part II, Line 26
361-05	5169.01	Other	CURRENT YEAR – PAGE 3, LINE 26	Part II, Line 26
362-00	<b>5170.00</b>	Taxes	DO NOT USE	
362-01	5170.01	Payroll	CURRENT YEAR – PAGE 3, LINE 27	Part II, Line 29
362-02	5171.01	Property (Real Estate)	CURRENT YEAR – PAGE 3, LINE 28	Part II, Line 43
362-03	5172.01	Other	CURRENT YEAR – PAGE 3, LINE 28	Part II, Line 43
363-00	5173.01	Telephone	CURRENT YEAR – PAGE 3, LINE 29	Part II, Line 34
365-00	<b>5175.00</b>	Utilities	DO NOT USE	
365-01	5175.01	Electricity	CURRENT YEAR – PAGE 3, LINE 30	Part II, Line 43
365-02	5176.01	Gas	CURRENT YEAR – PAGE 3, LINE 30	Part II, Line 43
365-03	5177.01	Fuel Oil	CURRENT YEAR – PAGE 3, LINE 30	Part II, Line 43
365-04	5178.01	Trash Removal	CURRENT YEAR – PAGE 3, LINE 30	Part II, Line 43
365-05	5179.01	Coal	CURRENT YEAR – PAGE 3, LINE 30	Part II, Line 43
365-06	5180.01	Other	CURRENT YEAR – PAGE 3, LINE 30	Part II, Line 43
366-00	5181.01	Other Lodge Expenses	CURRENT YEAR – PAGE 3A, LINE (8-39)	Part II, Line 43
through	through			Part II, Line 43
389-00	5199.01			Part II, Line 43
390-00	<b>5210.02</b>	Lodge Activities Expense		
through	through	(Fund-raising activities if	CURRENT YEAR – PAGE 3, LINE 31	Part II, Line 43
399-00	<b>5299.02</b>	proceeds are not restricted)		Part II, Line 43
<b>BUILDING ASSOCIATION INCOME:</b>			<b>RECOMMENDED PLACEMENT ON</b>	<b>PLACEMENT ON</b>
<b>GENERAL</b>	<b>DEPARTMENTAL</b>	<b>DESCRIPTION</b>	<b>GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>IRS FORM 990</b>
	3310.03	Building Association Income	CURRENT YEAR – PAGE 3A, LINE (1-6)	Part II, Line 43
	through	Rents, etc.	CURRENT YEAR – PAGE 3A, LINE (1-6)	Part II, Line 43
	3399.03			

<b>BUILDING ASSOCIATION EXPENSES:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
	5301.03	Building Association Expenses	CURRENT YEAR – PAGE 3A, LINE (8-39)	Part II, Line 43
	through	Taxes, etc.	CURRENT YEAR – PAGE 3A, LINE (8-39)	Part II, Line 43
	5399.03			Part II, Line 43
<b>BAR OR SOCIAL QUARTERS INCOME:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
401-00	3410.04	Liquor Sales	BAR – PAGE 8, LINE 2	Part I, Line 10a
402-00	3420.04	Beer Sales	BAR – PAGE 8, LINE 2	Part I, Line 10a
403-00	3430.04	Sundries Sales	CURRENT YEAR – PAGE 4A, LINE (1-6)	Part I, Line 10a
405-00	3450.04	Recreation Room	CURRENT YEAR – PAGE 4A, LINE (1-6)	Part I, Line 10a
406-00	3460.04	Facilities Rental	CURRENT YEAR – PAGE 4, LINE 2	Part I, Line 10a
407-00	3470.04	Machine Income	CURRENT YEAR – PAGE 4A, LINE (1-6)	Part I, Line 10a
408-00	3480.04	Other Income	CURRENT YEAR – PAGE 4A, LINE (1-6)	Part I, Line 10a
	through			Part I, Line 10a
413-00	3499.04			Part I, Line 10a
<b>BAR OR SOCIAL QUARTERS COST OF GOODS SOLD:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
414-00	4440.04	Inventory Variance	BAR – PAGE 8, LINE 6	Part I, Line 10b
415-00	<b>4450.00</b>	Purchases	DO NOT USE	
415-01	4450.04	Liquor	BAR – PAGE 8, LINE 6	Part I, Line 10b
415-02	4460.04	Beer	BAR – PAGE 8, LINE 6	Part I, Line 10b
415-03	4470.04	Bar Supplies	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part I, Line 10b
415-04	4480.04	Sundries	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part I, Line 10b
	4481.04	Other Cost of Goods Expense	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part I, Line 10b
	through			Part I, Line 10b
	4499.04			Part I, Line 10b
			<b>Gross Profit from Sales</b>	Pt I, Ln 10c;Pt VII, Ln 102
<b>BAR OR SOCIAL QUARTERS EXPENSES:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
421-00	5407.04	Alarm Service	CURRENT YEAR – PAGE 4, LINE 6	Part II, Line 43
422-00	5401.04	Accounting	CURRENT YEAR – PAGE 4, LINE 7	Part II, Line 31
423-00	5403.04	Audit	CURRENT YEAR – PAGE 4, LINE 8	Part II, Line 31
424-00	5409.04	Auto Expense	CURRENT YEAR – PAGE 4, LINE 9	Part II, Line 43
425-00	5411.04	Recreation Room Expense	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
426-00	5413.04	Cash Over/Short	CURRENT YEAR – PAGE 4, LINE 10	Part II, Line 43
430-00	5415.04	Credit Card Expense	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
431-00	5417.04	Cleaning Supplies	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 33
432-00	5418.04	Commissions	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
433-00	5421.04	Decorations	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
434-00	5419.04	Depreciation	CURRENT YEAR – PAGE 4, LINE 27	Part II, Line 42
435-00	5423.04	Employee Benefits	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
440-00	5457.04	Equipment Rental	CURRENT YEAR – PAGE 4, LINE 11	Part II, Line 43
441-00	5427.04	Ice	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
442-00	5425.04	Insurance/Fidelity Bonds	CURRENT YEAR – PAGE 4, LINE 12	Part II, Line 43
443-00	<b>5429.00</b>	Janitorial Expense	DO NOT USE	
443-01	5429.04	Supplies	CURRENT YEAR – PAGE 4, LINE 13	Part II, Line 33
443-02	5430.04	Contract Labor	CURRENT YEAR – PAGE 4, LINE 13	Part II, Line 43
444-00	5431.04	Laundry	CURRENT YEAR – PAGE 4, LINE 14	Part II, Line 43
445-00	5432.04	Licenses	CURRENT YEAR – PAGE 4, LINE 16	Part II, Line 43
450-00	5433.04	Machine Service	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
451-00	5434.04	Meals Furnished to Employees	BAR – PAGE 8, LINE 11	Part I, Line 10b
452-00	5437.04	Miscellaneous & Unassigned	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
453-00	5435.04	Music & Entertainment	BAR – PAGE 8, LINE 13	Part II, Line 43
454-00	5455.04	Rent	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43

455-00	5459.04	Repairs & Maintenance	CURRENT YEAR – PAGE 4, LINE 17	Part II, Line 43
460-00	<b>5460.00</b>	Replacements	DO NOT USE	
460-01	5460.04	Glassware	CURRENT YEAR – PAGE 4, LINE 19	Part II, Line 43
460-02	5461.04	Other	CURRENT YEAR – PAGE 4, LINE	Part II, Line 43
461-00	<b>5465.00</b>	Salaries & Wages	DO NOT USE	
461-01	5465.04	Direct Labor (Bartenders, etc.)	BAR – PAGE 8, LINE 10	Part I, Line 10b
461-02	5466.04	Management	CURRENT YEAR – PAGE 4, LINE 18	Part II, Line 26
461-03	5467.04	Office	CURRENT YEAR – PAGE 4, LINE 18	Part II, Line 26
461-04	5468.04	Other	CURRENT YEAR – PAGE 4, LINE 18	Part II, Line 26
462-00	<b>5470.00</b>	Taxes	DO NOT USE	
462-01	5470.04	Payroll	CY – PAGE 4, LINE 16 OR BAR – PAGE 8, LINE 12	Part I, Line 10b
462-02	5471.04	Property	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
462-03	5472.04	Other	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
463-00	5473.04	Telephone	CURRENT YEAR – PAGE 4, LINE 21	Part II, Line 34
464-00	5474.04	Uniforms	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
465-00	<b>5475.00</b>	Utilities	DO NOT USE	
465-01	5475.04	Electricity	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
465-02	5476.04	Gas	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
465-03	5477.04	Fuel Oil	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
465-04	5478.04	Trash Removal	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
465-05	5479.04	Coal	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
465-06	5480.04	Other	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
466-00	5481.04	Other Expense Categories	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
through	through			
499-00	5499.04			
<b>DINING ROOM INCOME:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
<b>GENERAL</b>	<b>DEPARTMENTAL</b>	<b>DESCRIPTION</b>		
501-00	3510.05	Food Sales	DINING ROOM – PAGE 8, LINE 1	Part I, Line 10a
502-00	3520.05	Other Income Categories	CURRENT YEAR – PAGE 4A, LINE (1-6)	Part I, Line 10a
through	through			Part I, Line 10a
513-00	3599.05			Part I, Line 10a
<b>DINING ROOM COST OF GOODS SOLD:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
<b>GENERAL</b>	<b>DEPARTMENTAL</b>	<b>DESCRIPTION</b>		
514-00	4540.05	Inventory Variance, Food	DINING ROOM – PAGE 8, LINE 6	Part I, Line 10b
515-00	4550.05	Purchases, Food	DINING ROOM – PAGE 8, LINE 6	Part I, Line 10b
	4560.05	Other Cost of Goods Expense	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
	through			Part II, Line 43
	4599.05			Part II, Line 43
<b>DINING ROOM EXPENSES:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
<b>GENERAL</b>	<b>DEPARTMENTAL</b>	<b>DESCRIPTION</b>		
520-00	5505.05	Advertising/Promotions	CURRENT YEAR – PAGE 4, LINE 5	Part II, Line 43
521-00	5507.05	Alarm Service	CURRENT YEAR – PAGE 4, LINE 6	Part II, Line 43
522-00	5501.05	Accounting	CURRENT YEAR – PAGE 4, LINE 7	Part II, Line 31
523-00	5503.05	Audit	CURRENT YEAR – PAGE 4, LINE 8	Part II, Line 31
524-00	5509.05	Auto Expense	CURRENT YEAR – PAGE 4, LINE 9	Part II, Line 43
525-00	5511.05	Dining Room Supplies	CURRENT YEAR – PAGE 4, LINE 20	Part II, Line 33
526-00	5512.05	Kitchen Supplies	CURRENT YEAR – PAGE 4, LINE 20	Part II, Line 33
530-00	5513.05	Cash Over/Short	CURRENT YEAR – PAGE 4, LINE 10	Part II, Line 43
531-00	5517.05	Cleaning Supplies	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 33
532-00	5518.05	Commissions	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
533-00	5521.05	Decorations	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
534-00	5519.05	Depreciation	CURRENT YEAR – PAGE 4, LINE 27	Part II, Line 42
535-00	5523.05	Employee Benefits	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
540-00	5557.05	Equipment Rental	CURRENT YEAR – PAGE 4, LINE 11	Part II, Line 43

542-00	5525.05	Insurance/Fidelity Bonds	CURRENT YEAR – PAGE 4, LINE 12	Part II, Line 43
543-00	<b>5525.00</b>	Janitorial Expense	DO NOT USE	
543-01	5529.05	Supplies	CURRENT YEAR – PAGE 4, LINE 13	Part II, Line 33
543-02	5530.05	Contract Labor	CURRENT YEAR – PAGE 4, LINE 13	Part II, Line 43
544-00	5531.05	Laundry	CURRENT YEAR – PAGE 4, LINE 14	Part II, Line 43
545-00	5532.05	Licenses	CURRENT YEAR – PAGE 4, LINE 16	Part II, Line 43
550-00	5533.05	Menus	CURRENT YEAR – PAGE 4, LINE 20	Part II, Line 43
551-00	5534.05	Meals Furnished to Employees	DINING ROOM – PAGE 8, LINE 11	Part I, Line 10b
552-00	5537.05	Miscellaneous & Unassigned	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
553-00	5535.05	Music & Entertainment	DINING ROOM – PAGE 4, LINE 13	Part I, Line 10b
554-00	5555.05	Rent	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
555-00	5559.05	Repairs & Maintenance	CURRENT YEAR – PAGE 4, LINE 17	Part II, Line 43
560-00	<b>5560.00</b>	Replacements	DO NOT USE	
560-01	5560.05	Dinnerware	CURRENT YEAR – PAGE 4, LINE 20	Part II, Line 43
560-02	5561.05	Glassware	CURRENT YEAR – PAGE 4, LINE 20	Part II, Line 43
560-03	5562.05	Kitchenware	CURRENT YEAR – PAGE 4, LINE 20	Part II, Line 43
560-04	5563.05	Silverware	CURRENT YEAR – PAGE 4, LINE 20	Part II, Line 43
560-05	5564.05	Other	CURRENT YEAR – PAGE 4, LINE 20	Part II, Line 43
561-00	<b>5565.00</b>	Salaries & Wages	DO NOT USE	
561-01	5565.05	Kitchen	DINING ROOM – PAGE 8, LINE 10	Part I, Line 10b
561-02	5566.05	Waitress/Busboy	DINING ROOM – PAGE 8, LINE 10	Part I, Line 10b
561-03	5567.05	Management	CURRENT YEAR – PAGE 4, LINE 18	Part II, Line 26
561-04	5568.05	Office	CURRENT YEAR – PAGE 4, LINE 18	Part II, Line 26
561-05	5569.05	Other	CURRENT YEAR – PAGE 4, LINE 18	Part II, Line 26
562-00	<b>5570.00</b>	Taxes	DO NOT USE	
562-01	5570.05	Payroll	CY – PAGE 4, LINE 15 OR PAGE 8, LINE 12	Part I, Line 10b
562-02	5571.05	Property	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
562-03	5572.05	Other	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
563-00	5573.05	Telephone	CURRENT YEAR – PAGE 4, LINE 21	Part II, Line 34
564-00	5574.05	Uniforms	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
565-00	<b>5575.00</b>	Utilities	DO NOT USE	
565-01	5575.05	Electricity	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
565-02	5576.05	Gas	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
565-03	5577.05	Fuel Oil	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
565-04	5578.05	Trash Removal	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
565-05	5579.05	Coal	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
565-06	5580.05	Other	CURRENT YEAR – PAGE 4, LINE 22	Part II, Line 43
566-00	5581.05	Other Expense Categories	CURRENT YEAR – PAGE 4A, LINE (8-39)	Part II, Line 43
through	through			
599-00	5599.05			

<b>CHARITY RECEIPTS (INCOME):</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
	5601.06	Charity Receipts	CURRENT YEAR – PAGE 5, LINE (1-6)	Page 3(B), Line 65
	through			Page 3(B), Line 65
	5699.06			Page 3(B), Line 65
<b>CHARITY DISBURSEMENTS (EXPENSES):</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
	5601.06	Charity Disbursements	CURRENT YEAR – PAGE 5, LINE (9-24)	Page 3(B), Line 65
	through			Page 3(B), Line 65
	5699.06			Page 3(B), Line 65
<b>BINGO RECEIPTS (INCOME):</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
	3710.07	Bingo Games	CURRENT YEAR – PAGE 5, LINE (1-6)	Page 3(B), Line 65
	3711.07	Pull Tabs	CURRENT YEAR – PAGE 5, LINE (1-6)	Page 3(B), Line 65
	3712.07	Other Bingo Income	CURRENT YEAR – PAGE 5, LINE (1-6)	Page 3(B), Line 65
	through			Page 3(B), Line 65
	3799.07			Page 3(B), Line 65

<b>BINGO DISBURSEMENTS (EXPENSES):</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
	5701.07	Bingo Disbursements	CURRENT YEAR – PAGE 5, LINE (9-24)	Page 3(B), Line 65
	through	or Expenses		Page 3(B), Line 65
	5799.07			Page 3(B), Line 65
<b>OTHER INCOME AND EXPENSES:</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
600-00	6000 Series	Use as necessary to record income and	CY – PAGE 3A (1-6) INC & 3A (8-39) EXP	Part II, Line 43
through	through	expenses if more than nine departments	CY – PAGE 4A (1-6) INC & 4A (8-39) EXP	Part II, Line 43
999-99	9000 Series	are needed.		Part II, Line 43
<b>RESTRICTED FUNDS (RECEIPTS &amp; DISBURSEMENTS):</b>			<b>RECOMMENDED PLACEMENT ON GRAND LODGE ANNUAL FINANCIAL REPORT</b>	<b>PLACEMENT ON IRS FORM 990</b>
GENERAL	DEPARTMENTAL	DESCRIPTION		
241-00	2410.00	Receipts (Increases)	CURRENT YEAR – PAGE 5, LINE (1-6)	Page 3(B), Line 65
through	through	Disbursements (Decreases)	CURRENT YEAR – PAGE 5, LINE (9-24)	Page 3(B), Line 65
279-00	2799.00			Page 3(B), Line 65

**IMPORTANT TIPS FOR TAX ACCOUNTANT: SEE COMPLETED 990 EXAMPLE.**

1. PAGE ONE 990 — ANSWER ALL QUESTIONS
2. PART III — INSERT: “FRATERNAL”
3. PART IIIa — INSERT: “OPERATES UNDER THE LODGE SYSTEM FOR THE EXCLUSIVE BENEFIT OF ITS MEMBERS.”
4. PART IV-A, PART IV-B GENERALLY NOT APPLICABLE — UNLESS AUDITED INSERT “N/A”
5. PART V-A — LIST ALL OFFICERS
6. PART VI — ANSWER ALL QUESTIONS
7. PART VIII-93-103 — INSERT: “TO CARRY ON FRATERNAL ACTIVITIES UNDER THE LODGE SYSTEM THE NET INCOME OF WHICH IS USED EXCLUSIVELY FOR BENEVOLENT AND CHARITABLE PURPOSES.”

**— EXHIBIT B —**

**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.

	<b>YES</b>	<b>NO</b>
1. Have Dues and Fees been posted currently by date, name and in proper column? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Has Interest earned, as noted on bank or depository statements, been entered in the cash Journal?.....	<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"/>
a. Receipts from each fund-raising event, special or catered affair?.....	<input type="checkbox"/>	<input type="checkbox"/>
b. Rental of Real Estate or facilities? .....	<input type="checkbox"/>	<input type="checkbox"/>
c. Daily Bar & Lounge receipts?.....	<input type="checkbox"/>	<input type="checkbox"/>
d. Daily Dining Room receipts?.....	<input type="checkbox"/>	<input type="checkbox"/>
e. Receipts from Bingo.....	<input type="checkbox"/>	<input type="checkbox"/>
f. Receipts from Entertainment Machines? .....	<input type="checkbox"/>	<input type="checkbox"/>
g. 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)**

- | <u><b>Examine the Cash Disbursement Journals.</b></u>  | <b>YES</b>               | <b>NO</b>                |
|--|--------------------------|--------------------------|
| 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 Cash Disbursements Journal,<br>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 unrelated business amounts to more than \$1,000.<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 —

**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  
(Lodge No.)  
Order of Elks, a/an \_\_\_\_\_ non-profit Corporation, herein referred to as “Lodge,” whose  
(State)  
address is \_\_\_\_\_ and  
(Street or P.O. Box No., Town, State and Zip Code)  
\_\_\_\_\_, whose address is  
(Name of Accounting Firm)  
\_\_\_\_\_ 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 subordinate 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 Auditor, and 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 perform 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.

**— EXHIBIT C — (continued)**

**— 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)

— EXHIBIT D —

**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)

— EXHIBIT E —



**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, 2009 of Lodge REDROCK #4510 SOUTHEAST  
(Name and Number) (District)

Mailing address P. O. BOX 99 ELK REDROCK OK 89882  
(Street) (City) (State) (ZIP)

The enclosures consist of the following:

- 1. Transmittal Letter and Pages 1 through 12 of Grand Lodge forms.
- 2. Copies of all of Accountant's Financial Statements.
- 3. Copy of recommendations of Accountant.
- 4. Copy of Federal Income Tax Return(s) (Form 990/990T) and any applicable State Returns as required.
- 5. Copy of latest Annual Membership Report – Page One [BOTH SIDES].
- 6. Copy of Property Plus declaration.

The Lodge's records are maintained utilizing the Uniform Chart of Accounts as required by Sec. 13.040: ( X ) Yes ( ) No.  
All entities of the Lodge are included in this report: ( X ) Yes ( ) No (If No, Explain).

The report was prepared by JACK READNOUR, CPA who is an independent accountant, and was presented to the Lodge membership on the 14TH day of JUNE, 2009.

The last date our insurance was reviewed was on the 31ST day of MARCH, 2009. The review was made by the Board of Trustees of the Lodge and found to be ( X ) adequate ( ) inadequate.

Please PRINT or TYPE Names, Addresses and Telephone Numbers of Lodge Auditing Committee Members:

<u>JOHN Q. ELKS</u>	<u>123 FIRST ST., ANYTOWN, OK 89882</u>	<u>(405) 123-4567</u>
<u>ELKDOM R. BENEVOLENT</u>	<u>456 SECOND ST., ANYTOWN, OK 89882</u>	<u>(405) 891-0111</u>
<u>JANE X. ELKS</u>	<u>789 THIRD ST., ANYTOWN, OK 89882</u>	<u>(405) 213-1415</u>

Please PRINT or TYPE Names and Addresses of current Exalted Ruler and Secretary:

<u>JACK O. CHARITY</u> <small>(Current Exalted Ruler)</small>	<u>ELK R. PROJECTS</u> <small>(Secretary)</small>
<u>P. O. BOX 330</u> <small>(Address)</small>	<u>ROUTE 1-BOX 12</u> <small>(Address)</small>
<u>REDROCK, OK 89882</u> <small>(City, State, Zip)</small>	<u>WYNNEWOOD, OK 89334</u> <small>(City, State, Zip)</small>

- Send Copies to the following:**
- 1. G.L. Auditing & Accounting Committee Area Member
  - 2. D.D.G.E.R.
  - 3. Retain for Lodge File
  - 4. Auditing File

Fraternally,

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

Year Ending MARCH 31, 2009

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

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— EXHIBIT E — (continued)

REDROCK, Lodge No. 4510

PAGE 1

**ACCOUNTANT'S REPORT**

Auditing Committee  
Redrock Elks Lodge #4510  
P. O. Box 99 Elk  
Redrock, OK 89882

We have audited the accompanying statements of financial position of Redrock Lodge #4510 of the Benevolent and Protective Order of Elks of the United States of America as of March 31, 2008 and 2009 and the related statements of income and expenses for the years then ended. These financial statements are the responsibility of the Lodge's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Redrock Elks Lodge #4510 of the Benevolent and Protective Order of Elks of the United States of America, as of March 31, 2005 and 2006 and the results of its operations and its cash flow for the years then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules contained, on pages 8 through 12, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Jack Readnour*  
Jack Readnour  
June 7, 2009

**JACK READNOUR, PC  
CERTIFIED PUBLIC ACCOUNTANT  
1920 APPLETREE DRIVE  
FOSTER, OK 89666**

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— EXHIBIT E — (continued)

PAGE 2

\_\_\_\_\_, Lodge No. \_\_\_\_\_  
**COMBINED BALANCE SHEET**  
**(ALL ENTITIES)**

	Prior Year March 31, 2008	Current Year March 31, 2009
<b>ASSETS:</b>		
<b>CURRENT ASSETS:</b>		
1 Cash on Hand & in Bank	\$ 36,310	\$ 45,206
2 Prepaid Expenses	0	0
3 Inventories	3,863	4,982
4 Investments	5,173	4,106
5 Total Current Assets	\$ 45,346	\$ 54,294
<b>FIXED ASSETS:</b>		
6 Buildings	549,000	557,537
7 Personal Property	90,901	96,222
8 Total	639,901	653,759
9 Less: Accumulated Depr.	394,132	420,844
10 Net Book Value	245,769	232,915
11 Land	322,000	322,000
12 Total Fixed Assets	567,769	554,915
<b>OTHER ASSETS:</b>		
13 Investments-Long Term	65,000	70,507
14 Other	0	0
15 Total Other Assets	65,000	70,507
16 <b>TOTAL ASSETS</b>	\$ 678,115	\$ 679,716
<b>LIABILITIES AND EQUITY:</b>		
<b>CURRENT LIABILITIES:</b>		
17 Accounts Payable	\$ 10,101	\$ 9,550
18 Note Payments-		
Due Within One Year	0	0
19 Deferred Dues & Fees	11,447	9,381
20 Other Payables	0	0
21 Total Current Liabilities	\$ 21,548	\$ 18,931
<b>TERM LIABILITIES:</b>		
22 Note Payments -		
Due After One Year	17,472	8,138
23 Other Term Liabilities	0	0
24 Total Term Liabilities	17,472	8,138
<b>DEFERRED INCOME:</b>		
25 Other	0	0
26 Total Deferred Income	0	0
<b>RESTRICTED FUNDS:</b>		
27 Charity	2,288	13,579
28 Other	0	0
29 Total Restricted Funds	2,288	13,579
<b>EQUITY:</b>		
30 From Page 8, Schedule 2	636,807	639,068
31 <b>TOTAL LIABILITIES AND EQUITY</b>	\$ 678,115	\$ 679,716

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

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— EXHIBIT E — (continued)

PAGE 3

REDROCK, Lodge No. 4510  
**STATEMENT OF LODGE FUND REVENUE, EXPENSES  
 AND COMPARISON TO APPROVED BUDGET**

	Prior	Year Ended March 31, 2009		
	Year Ended March 31, 2009	Actual	Budget	Over (Under)
<b>REVENUE:</b>				
1 <u>Dues (Page 10)</u>	\$ 25,674	\$ 25,492	\$ 25,700	\$ (208)
2 <u>Fees (Page 11)</u>	2,590	2,745	3,010	(265)
3 <u>Rent</u>	7,762	11,517	10,200	1,317
4 <u>Interest &amp; Dividends</u>	0	5,768	6,000	(232)
5 <u>Contributions</u>	8,239	11,674	11,600	74
6 <u>Fund-raising</u>	29,812	29,354	30,000	(646)
7 <u>Other (Totals from Page 3A)</u>	0	0	0	0
8 <b>Total Revenue</b>	<u>74,077</u>	<u>86,550</u>	<u>86,510</u>	<u>40</u>
<b>EXPENSES: (List)</b>				
9 <u>Acctg. &amp; Legal</u>	0	0	0	0
10 <u>Audit</u>	0	0	0	0
11 <u>Bulletin</u>	2,768	2,679	3,000	(321)
12 <u>Convention</u>	4,653	0	0	0
13 <u>Data Processing</u>	0	0	0	0
14 <u>Dignitary Entertainment</u>	0	0	0	0
15 <u>Employee Benefits</u>	0	0	0	0
16 <u>Insurance/Fid. Bonds</u>	3,058	3,250	3,000	250
17 <u>Interest</u>	3,530	2,273	2,500	(227)
18 <u>Janitorial Expense</u>	0	0	0	0
19 <u>Supplies</u>	5,682	6,940	6,500	440
20 <u>Office Expense</u>	350	264	350	(86)
21 <u>Officer's Expense</u>	0	0	0	0
22 <u>Per Capita - Grand Lodge</u>	4,068	4,131	4,050	81
23 <u>Per Capita - State</u>	1,356	1,377	1,390	(13)
24 <u>Rent Expense</u>	1,531	2,021	1,500	521
25 <u>Repairs &amp; Maint.</u>	2,260	2,966	2,500	466
26 <u>Salaries &amp; Wages</u>	24,676	18,190	17,000	1,190
27 <u>Taxes, Payroll</u>	3,277	3,728	3,600	128
28 <u>Taxes, Other</u>	0	0	0	0
29 <u>Telephone</u>	3,055	2,303	2,500	(197)
30 <u>Utilities</u>	1,462	6,550	6,000	550
31 <u>Fund Raising Expenses</u>	0	2,500	3,000	(500)
32 <u>Other (Totals from Page 3A)</u>	9,084	0	0	0
33 <b>Total Expenses</b>	<u>70,760</u>	<u>59,172</u>	<u>56,890</u>	<u>2,282</u>
34 <b>Increase/(Decrease)</b>				
<u>Before Depreciation Expense</u>	3,317	27,378	29,620	(2,242)
35 <u>Depreciation Expense</u>	24,200	26,711	26,900	(189)
<b>INCREASE/(DECREASE)</b>				
36 <u>EQUITY (Page 8)</u>	\$ (20,883)	\$ 667	\$ 2,270	\$ (2,053)

(Equity Actual Column 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)

REDROCK, Lodge No. 4510

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

	<u>Prior Year Ended March 31, 2008</u>	<u>Actual</u>	<u>Current Year Ended March 31, 2009 Budget</u>	<u>Over (Under)</u>
<b>REVENUE:</b>				
<b>OTHER: (Identify)</b>				
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
7 <b>Transfer Totals to Page 3</b>	\$ 0	\$ 0	\$ 0	\$ 0

**EXPENSES: (List)**

**OTHER: (Identify)**

8 <u>Emergency Roof Repair</u>	\$ 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
40 <b>Transfer Totals to Page 3</b>	\$ 9,084	\$ 0	\$ 0	\$ 0

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— EXHIBIT E — (continued)

PAGE 4

REDROCK, Lodge No. 4510  
**STATEMENT OF CLUB FUND REVENUE, EXPENSES  
 AND COMPARISON TO APPROVED BUDGET**

	Prior	Year Ended March 31, 2009		
	Year Ended March 31, 2008	Actual	Budget	Over (Under)
<b>REVENUE:</b>				
1 <b>Gross Profit (Page 8)</b>	\$ 28,559	\$ 33,741	\$ 32,500	\$ 1,241
2 <b>Facility Rental</b>	0	0	0	0
3 <b>Other (Totals from Page 4A)</b>	0	0	0	0
4 <b>Total Revenue</b>	28,559	33,741	32,500	1,241
<b>EXPENSES: (List)</b>				
5 <b>Advertising</b>	1,000	1,500	1,300	200
6 <b>Alarm Service</b>	0	0	0	0
7 <b>Accounting</b>	1,500	2,000	2,000	0
8 <b>Audit</b>	0	0	0	0
9 <b>Auto Expense</b>	0	0	0	0
10 <b>Cash – Over/Short</b>	75	180	100	80
11 <b>Equipment Rental</b>	0	0	0	0
12 <b>Insurance</b>	2,500	3,200	3,500	(300)
13 <b>Janitorial Expenses</b>	1,200	1,200	1,500	(300)
14 <b>Laundry</b>	0	0	0	0
15 <b>Payroll Taxes</b>	1,759	2,358	2,500	(142)
16 <b>Licenses</b>	0	0	0	0
17 <b>Repairs &amp; Maintenance</b>	1,338	837	1,200	(363)
18 <b>Salaries</b>	0	0	0	0
19 <b>Supplies – Bar</b>	3,760	3,973	3,800	173
20 <b>Supplies – Kitchen</b>	4,304	6,944	5,500	1,444
21 <b>Telephone</b>	0	0	0	0
22 <b>Utilities</b>	4,887	5,320	5,500	(180)
23 <b>Pro-Rated Overhead</b>	1,000	1,000	1,000	0
24 <b>Other (Totals from Page 4A)</b>	5,981	3,635	4,000	(365)
25 <b>Total Expenses</b>	29,304	32,147	31,900	247
26 <b>Increase/(Decrease)</b>				
<b>Before Depreciation Expense</b>	(745)	1,594	600	994
27 <b>Depreciation Expense</b>	0	0	0	0
<b>INCREASE/(DECREASE)</b>				
28 <b>EQUITY (Page 8)</b>	\$ (745)	\$ 1,594	\$ 600	\$ 994
(Equity Actual Column 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)

REDROCK, Lodge No. 4510

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

	Prior Year Ended March 31, 2008	Actual	Current Year Ended March 31, 2009 Budget	Over (Under)
<b>REVENUE:</b>				
<b>OTHER: (Identify)</b>				
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
7 <b>Transfer Totals to Page 4</b>	\$ 0	\$ 0	\$ 0	\$ 0

**EXPENSES: (List)**

<b>OTHER: (Identify)</b>				
8 <b>Cooler Repair</b>	\$ 5,981	3,635	4,000	(365)
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
40 <b>Transfer Totals to Page 4</b>	\$ 5,981	\$ 3,635	\$ 4,000	\$ (365)

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**— EXHIBIT E — (continued)**

REDROCK \_\_\_\_\_, Lodge No. 4510  
**RESTRICTED FUNDS**

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

(Use additional pages as necessary – Label Pages 5A, 5B, etc.)  
 (Use separate statement for each entity – Bingo, Las Vegas, Lucky 7’s, etc.)

**COMBINED PAGE 5’s MUST EQUAL DIFFERENCE BETWEEN PRIOR  
 AND CURRENT YEAR RESTRICTED FUND ON BALANCE SHEET, PAGE 2.**

RESTRICTED ACCOUNT TITLE:	Prior Year Ended	Current Year Ended March 31, 2009		
<u>BINGO</u>	<u>March 31, 2008</u>	<u>Actual</u>	<u>Budget</u>	<u>Over (Under)</u>
<b>REVENUE: (Identify)</b>				
1 <u>BINGO</u>	\$ 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
8 <b>Total Other Revenue:</b>	\$ 165,797	\$ 187,229	\$ 190,000	\$ (2,771)
<b>EXPENSES: (Identify)</b>				
9 <u>BINGO PRIZES</u>	\$ 68,654	\$ 79,075	\$ 70,000	\$ 9,075
10 <u>BINGO SUPPLIES</u>	5,800	10,994	12,000	(1,006)
11 <u>COMMITTEE ACTIVITIES</u>	10,227	6,318	7,000	(682)
12 <u>DONATIONS/NEEDY</u>	0	5,219	6,000	(781)
13 <u>FUNDRAISING</u>	19,067	12,000	11,500	500
14 <u>PATRIOTIC PROGRAMS</u>	0	10,575	11,000	(425)
15 <u>PUBLIC RELATIONS</u>	1,668	2,000	2,000	0
16 <u>PUBLIC SERVICE &amp; CHARITY</u>	37,037	30,050	30,000	50
17 <u>SCOUTS</u>	0	1,800	2,500	(700)
18 <u>TAXES &amp; FEES</u>	0	7,300	6,500	800
19 <u>TEAMS – LITTLE LEAGUE</u>	0	1,000	1,000	0
20 <u>UTILITIES</u>	6,500	9,607	9,000	607
21 _____	0	0	0	0
22 _____	0	0	0	0
23 _____	0	0	0	0
24 _____	0	0	0	0
25 <b>Total Other Expenses</b>	\$ 148,953	\$ 175,938	\$ 168,500	\$ 7,438
26 <b>RESTRICTED FUND INCREASE/(DECREASE)</b>	\$ 16,844	\$ 11,291	\$ 21,500	\$ (10,209)

**RESTRICTED FUNDS ARE NOT A PART OF EQUITY!!!**

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

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

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— EXHIBIT E — (continued)

PAGE 6

REDROCK, Lodge No. 4510  
COMBINED STATEMENT OF CASH FLOW  
(ALL FUNDS)

Year Ended March 31, 2009

**CASH FLOW FROM OPERATIONS ACTIVITIES:**

1	LODGE — NET INCOME (Page 3)	\$	667
2	CLUB — NET INCOME (Page 4)	\$	1,594
3	TOTAL NET INCOME	\$	2,261

**ADJUSTMENT 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	\$	1,067
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 PREPAID DUES	\$	(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
16	TOTAL ADJUSTMENTS	\$	35,334
17	NET CASH PROVIDED BY OPERATIONS	\$	37,595

**CASH FLOW INVESTING ACTIVITIES:**

18	PURCHASE OF FIXED ASSETS	\$	(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
23	TOTAL INVESTING ACTIVITIES	\$	(28,699)

NET CHANGE IN CASH: \$ 8,896

24 CASH AVAILABLE — MARCH 31, 2008 : \$ 36,310

25 CASH AVAILABLE — MARCH 31, 2009 : \$ 45,206

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REDROCK, Lodge No. 4510

**NOTES TO FINANCIAL STATEMENTS**

Year Ended March 31, 2009

**(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, 2009 were \$13,579.

**(Note C) – Subsequent Event:**

On May 15, 2009, the mortgage held by Anytown Bank was paid in full.

— EXHIBIT E — (continued)

PAGE 8

REDROCK \_\_\_\_\_, Lodge No. 4510

**SUPPLEMENTAL SCHEDULES**

Year Ended March 31, 2009

	BAR	DINING ROOM	TOTAL
<b>SALES:</b>			
1 Food	\$ 0	\$ 44,397	\$ 44,397
2 Liquor, Beer & Wine	46,806	0	48,806
3 Other Bar Sales	9,659	0	9,659
4 Total Sales	56,456	44,697	100,862

**COST OF SALES:**

5 Inventory, April 1, 2009	\$ 2,960	\$ 903	\$ 3,683
6 Purchases	17,922	15,676	33,598
7 Total	20,882	16,579	37,461
8 Less: Inventory, March 31, 2009	3,942	1,040	4,982
9 Cost of Sales	16,940	15,539	32,479

GROSS PROFIT ON SALES	\$ 39,525	\$ 28,858	\$ 68,383
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**DIRECT EXPENSES:**

	15,400	15,932	31,332
10 Salaries & Wages	\$ 0	\$ 0	\$ 0
11 Employee Meals, at Cost	1,540	1,770	3,310
12 Payroll Taxes & Benefits	0	0	0
13 Music & Entertainment			
14 Total Direct Expenses	16,940	17,702	36,642

GROSS PROFIT (Total to Page 4)	22,585	11,156	33,741
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**RATIOS:**

15 Cost of Sales (% Total Sales)	30%	35%
16 Employee Expense (% of Sales)	30%	40%
17 Music & Entertainment (% of Sales)	0%	0%
18 Gross Profit (% of Sales)	40%	25%

**RECONCILIATION – EQUITY ACCOUNT: Schedule 2.**

19 Balance, March 31, 2006	\$ 636,807
20 Net Increase/(Decrease), Page 3	667
21 Net Increase/(Decrease), Page 4	1,594
22 Adjustments – Increase/(Decrease), Attach Explanation	0
23 Balance, March 31, 2009	\$ 639,068

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

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— EXHIBIT E — (continued)

REDROCK, Lodge No. 4510  
**SCHEDULE OF INSURANCE COVERAGE AND FIDELITY BONDS**

Year Ended March 31, 2009

\*(See Information on Reverse Side of this page)

**MANDATORY PROGRAMS**

1 \*GRAND LODGE MASTER LIABILITY INSURANCE. (Providing general liability/liquor coverage)  
(Mandatory program—premium paid as part of annual per capita—no additional premium or deductible is due—nor is any audit required)

YES NO

2 \*GRAND LODGE PROPERTY PLUS? (Mandatory program—premium billed directly to Lodge)

Has Property Plus free appraisal been obtained?

**VOLUNTARY ELKS PROGRAMS**

3 \*ELKS DIRECTORS & OFFICERS/EMPLOYMENT PRACTICES?  
(This discounted program is offered on a voluntary basis)

4 DIRECTORS & OFFICERS COVERAGE WITH OUTSIDE CARRIER?  
Insurance Carrier: \_\_\_\_\_

5 WORKER'S COMPENSATION INSURANCE? (It is recommended that every Lodge have such coverage—even if it has no regular employees)  
(Worker's Compensation is the exclusive remedy for occupational injury claims—accident policies are not sufficient)

6 Name of Worker's Compensation Carrier: KEMPER

7 Worker's Compensation Policy Number & Expiration Date: BA 017568 5/20/2009

**FOR INFORMATIONAL PURPOSES ONLY—PLEASE PROVIDE THIS INFORMATION**

**NUMBER OF EMPLOYEES**

8 LODGE? 1  
9 BAR? 1  
10 DINING ROOM? 1  
11 OTHER AREA? \_\_\_\_\_

**LODGE OFFICERS RECEIVING PAY**

12 SECRETARY?

13 TREASURER?

14 OTHER PAID OFFICERS? (List Below):

15 AUTOMOBILE INSURANCE? (If Lodge owns vehicle) (The Master Liability Program does not provide coverage for owned vehicles)

16 OTHER INSURANCE? (Please explain in detail below)

(Attach separate sheet if necessary—Page 9a, 9b, etc.—Indicate carrier and type of coverage)

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— EXHIBIT E — (continued)

REDROCK, Lodge No. 4510  
**RECONCILIATION OF DUES WITH MEMBERSHIP STATUS**  
 Year Ended March 31, 2009

**MEMBERSHIP PER PRIOR YEAR ANNUAL REPORT:**

1	Life Members	<u>3</u>	@	\$ <u>14</u>	\$ <u>42</u>
2	Members	<u>450</u>	@	<u>60</u>	\$ <u>27,000</u>
3	TOTAL DUES FOR AUDIT YEAR BEFORE ADJUSTMENTS	<u>453</u>			\$ <u>27,042</u>
4	ADD: Gains (Schedule A—Line 14, Below)	<u>54</u>			\$ <u>2,290</u>
5	SUBTOTAL	<u>507</u>			\$ <u>29,332</u>
6	DEDUCT: Losses (Schedule B—Line 8, Page 11)	<u>67</u>			\$ <u>3,840</u>
7	GROSS TO ACCOUNT FOR	<u>440</u>			\$ <u>25,492</u>
8	CASH RECEIPTS ACCOUNTED FOR (To agree with Page 3, Line 1)				\$ <u>25,492</u>
9	DISCREPANCY (IF ANY, EXPLAIN ON BOTTOM OF PAGE 11)				\$ <u>0</u>

**SCHEDULE A**

<b>AUDIT YEAR:</b>	<b>TOTAL</b>	<b>DUES COLLECTED FOR</b>				
10	ADDED TO ROLL BY INITIATION:	Apr	<u>5</u>	@	\$ <u>60</u>	\$ <u>300</u>
		May	<u>3</u>	@	\$ <u>55</u>	\$ <u>165</u>
		Jun	<u>3</u>	@	\$ <u>50</u>	\$ <u>150</u>
		Jul	<u>6</u>	@	\$ <u>45</u>	\$ <u>270</u>
		Aug	<u>3</u>	@	\$ <u>40</u>	\$ <u>120</u>
		Sep	<u>2</u>	@	\$ <u>35</u>	\$ <u>70</u>
		Oct	<u>2</u>	@	\$ <u>30</u>	\$ <u>60</u>
		Nov	<u>2</u>	@	\$ <u>25</u>	\$ <u>50</u>
		Dec	<u>1</u>	@	\$ <u>20</u>	\$ <u>20</u>
		Jan	<u>2</u>	@	\$ <u>15</u>	\$ <u>30</u>
		Feb	<u>2</u>	@	\$ <u>10</u>	\$ <u>20</u>
		Mar	<u>8</u>	@	\$ <u>5</u>	\$ <u>40</u>
11	ADDED TO ROLL BY REINSTATEMENT:		<u>6</u>			\$ <u>155</u>
12	ADDED TO ROLL BY TRANSFER DIMIT:		<u>9</u>			\$ <u>360</u>
13	ADD: Dues for prior year collected during audit year from delinquent Members					\$ <u>480</u>
14	TOTAL GAINS (Line 4, above)		<u>54</u>			\$ <u>2,290</u>

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**— EXHIBIT E — (continued)**

REDROCK , Lodge No. 4510

**SCHEDULE B**

Year Ended March 31, 2009

	<b>Number of Members</b>	<b>Dues for Audit Year, Not Collected</b>
1 <b>DROPPED FOR NON-PAYMENT OF DUES</b>	62	\$ 3,720
2 <b>EXPELLED</b>	0	\$ 0
3 <b>TRANSFER DIMIT TO ANOTHER LODGE</b>	1	\$ 0
4 <b>ABSOLUTE DIMITS GRANTED</b>	0	\$ 0
5 <b>DEATHS</b>	4	\$ 0
6 <b>ADD: Dues Remitted (Sec. 14.310 of Statutes)</b>		\$ 0
7 <b>ADD: Dues Owed by Delinquent Members, End of Year</b>		\$ 120
8 <b>TOTAL LOSSES (Transfer to Line 6, Page 10)</b>	67	\$ 3,840

**RECONCILIATION OF FEES COLLECTED**

	<b>NUMBER</b>		<b>Fees Collected</b>
9 <b>INITIATED</b>	39	@ \$ 60	\$ 2,340
10 <b>REINSTATED</b>	6	@ \$ 30	\$ 180
11 <b>AFFILIATED BY TRANSFER DIMIT</b>	9	@ \$ 10	\$ 90
12 <b>AFFILIATED BY ABSOLUTE DIMIT</b>	0	@ \$ 0	\$ 0
13 <b>CERTIFICATE OF RELEASE</b>	1	@ \$ 10	\$ 10
14 <b>FORFEITED FEES</b>	0	@ \$ 0	\$ 0
15 <b>ADD: Fees collected During Audit Year For Gains Occurring During Following Year</b>			\$ 125
16 <b>SUB-TOTAL</b>			\$ 2,745
17 <b>DEDUCT: Fees collected Prior Year For Gains Occurring During Audit Year</b>			\$ 0
18 <b>GROSS TO ACCOUNT FOR</b>			\$ 2,745
19 <b>CASH RECEIPTS ACCOUNTED FOR (To Agree with Line 2, Page 3)</b>			\$ 2,745
20 <b>DISCREPANCY (If any, explain below)</b>			\$ 0

**EXPLANATION OF DISCREPANCY, IF ANY (Line 9, Page 10) or (Line 20, Page 11):**

\_\_\_\_\_

\_\_\_\_\_

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REDROCK, Lodge No. 4510

**ACCOUNTANT'S RECOMMENDATIONS AND SUGGESTIONS  
For Improvement of Financial Records and Controls**

**Year Ended March 31, 2009**

We have issued our opinion on the financial statements of Redrock Lodge #4510 as of March 31, 2009 for the year then ended, including supplemental information regarding the financial statements and accompanying footnotes and have issued our report thereon dated June 8, 2009. 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 auditor, 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 auditor to have to spend additional time in his duties of the audit. It is recommended the Treasurer produce a monthly statement so problems can be corrected monthly.
3. The cost of sales in the Dining Room are of the recommended maximum of 35%. It is recommended management study all bar and dining room 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.

— EXHIBIT E — (continued)



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

State OKLAHOMA  
 District SOUTHEAST  
 Area 6  
 Date JUNE 25, 2009

**AUDITING AND ACCOUNTING  
 COMMITTEE**

REDROCK Lodge No. 4510

**ACKNOWLEDGEMENT OF RECEIPT OF FINANCIAL REPORT AND EVALUATION THEREOF:  
 TO BE READ ON THE LODGE FLOOR AND RETAINED AS A PERMANENT RECORD OF THE LODGE:**

Report for Year Ended March 31st.....	2007	2008	2009
1. Date Report Received.....	6/20/07	6/15/08	6/20/09
2. Was Uniform Chart of Accounts Used? .....	Yes	Yes	Yes
3. Was Report Prepared by an Independent Accountant? .....	Yes	Yes	Yes
4. When was Report Presented to Members? .....	3/30/07	3/31/08	3/30/09
5. Amount of Working Capital..... \$	71,784	74,270	92,291
6. Amount of Total Equity .....	600,787	610,892	639,068
7. Lodge Net Profit (Loss) (Pg. 3) .....	29,978	23,111	667
8. Club and Other Operation Net Profit (Loss) (Pg. 4)..... \$	(2,398)	8,774	1,594
9. Restricted Funds Reconciliation (Pg. 5) .....	10,072	(5,439)	11,291
10. Was the Proper Budget Comparison Submitted For Each Entity? .....	Yes	Yes	Yes
11. Bar — Cost of Liquor Sold Percent (Pg. 8) .....	35%	42%	30%
12. Dining Room — Cost of Food Sold Percent (Pg. 8) .....	35%	50%	35%
13. Was a Complete Insurance Schedule Included? (Pg. 9).....	Yes	Yes	Yes
14. Were Dues Correctly Reconciled with Membership? (Pgs. 10/11).....	Yes	Yes	Yes
15. Membership Statistics (Pg. 10).....	600	520	440
16. Were Grand Lodge Forms Used? .....	Yes	Yes	Yes
17. Was Copy of Federal Income Tax Return Enclosed?.....	Yes	Yes	Yes

**COMMENTS:**

EXCELLENT REPORT. KEEP UP THE GOOD WORK.

ITEM 12 — DINING ROOM LABOR TOO HIGH AT 50%, SHOULD NEVER EXCEED 35%

ITEM 15 — LODGE MEMBERSHIP HAS DECLINED BY 160 MEMBERS THE PAST TWO YEARS.  
 FINANCIALLY THAT TRANSLATES TO THE LOSS OF OVER \$14,000 IN DUES REVENUE.

MEMBERSHIP IS MONEY. YOU MUST TAKE STEPS TO STABILIZE YOUR MEMBERSHIP AND TO  
 MANAGE IT LIKE YOU WOULD ANY OTHER VALUABLE ASSET.

Note: If any questions are answered "NO," this indicates deficiency in the report as it has been submitted. You should consult the Auditing & Accounting Manual, Auditing Committee Manual and Section 13.040 of the Laws of the Order and make the necessary correction(s).

\_\_\_\_\_  
 Member  
 G/L Auditing & Accounting Committee

Rev. 7/2009

## — EXHIBIT F —

### 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 Subordinate 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 less 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 [Subordinate Lodge] By-Laws.)”

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 on or before the first regular Lodge meeting in May 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 dining room, 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)

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 Subordinate 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

Dining Room 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!

— EXHIBIT G —

**SUBORDINATE LODGE YEAR-END CHECK LIST:**

The following year-end check list is set forth to assist the Subordinate Lodges in preparing for the March 31st closing, and budget preparation.

	YES	NO
1. Did the Secretary receive the Grand Lodge Annual Financial Report Forms, and turn them over to the Chairman of the Lodge Auditing & Accounting Committee? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Was the accountant selected well in advance of the March 31st closing date? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. Was the accountant approved by the membership? .....	<input type="checkbox"/>	<input type="checkbox"/>
4. Was the accountant furnished a copy of the Grand Lodge Auditing, Accounting & Management Manual? .....	<input type="checkbox"/>	<input type="checkbox"/>
5. Did the Lodge Auditing & Accounting Committee meet with the accountant regarding preparations for the Annual Financial Report? .....	<input type="checkbox"/>	<input type="checkbox"/>
6. Has the Auditing & Accounting Committee discussed with the accountant, the various audits that the Auditing & Accounting Committee performed throughout the year? .....	<input type="checkbox"/>	<input type="checkbox"/>
7. Has the accountant been called in by the Auditing & Accounting Committee to participate in year-end inventories and cash counts? (All inventories and cash counts as of March 31st) .....	<input type="checkbox"/>	<input type="checkbox"/>
8. Is the Lodge using the Chart of Accounts and is the Budget set up according to the Chart of Accounts? .....	<input type="checkbox"/>	<input type="checkbox"/>
9. Are prepaid dues posted to an accrual account; and the funds not used until subsequent to April 1st? .....	<input type="checkbox"/>	<input type="checkbox"/>
10. Has the Secretary posted all dues data to the membership records? .....	<input type="checkbox"/>	<input type="checkbox"/>
11. Does the Secretary have a record control over delinquent dues? .....	<input type="checkbox"/>	<input type="checkbox"/>
12. Were delinquent Members dropped for non-payment of dues? .....	<input type="checkbox"/>	<input type="checkbox"/>
13. Are all books of record posted currently and closed out immediately after the March 31st date? (No books are to be kept open after March 31st) .....	<input type="checkbox"/>	<input type="checkbox"/>
14. Are bills not paid by March 31st listed for the accountants as accounts payable? .....	<input type="checkbox"/>	<input type="checkbox"/>
Have accounts receivable been set up? .....	<input type="checkbox"/>	<input type="checkbox"/>
15. Are proper preparations being made to formalize the budget? .....	<input type="checkbox"/>	<input type="checkbox"/>
16. Have the necessary budget worksheets been prepared? .....	<input type="checkbox"/>	<input type="checkbox"/>
17. Did the Exalted Ruler contact all Committee Chairmen to get the Committees' budget requirements? .....	<input type="checkbox"/>	<input type="checkbox"/>
18. Is a budget being prepared for each entity? (Lodge, Beano/Bingo, Lucky 7, Las Vegas, Corp., House, etc.) .....	<input type="checkbox"/>	<input type="checkbox"/>
19. Is the Budget in balance (Receipts and expenses equal) .....	<input type="checkbox"/>	<input type="checkbox"/>
20. Have the Secretary and Treasurer ensured that their cash receipts for March, and the year, are in agreement? .....	<input type="checkbox"/>	<input type="checkbox"/>
21. Have all Committees submitted their final reports, funds, bills, etc. to the Secretary? .....	<input type="checkbox"/>	<input type="checkbox"/>
22. Do Trustees have a current inventory of Fixed Assets? .....	<input type="checkbox"/>	<input type="checkbox"/>
23. Did the Trustees obtain an update, as of March 31st, on all savings/investment accounts? .....	<input type="checkbox"/>	<input type="checkbox"/>
And was this information given to the Treasurer? .....	<input type="checkbox"/>	<input type="checkbox"/>
24. Have all bank reconciliations been performed for the period ending March 31st? (copies for accountant) .....	<input type="checkbox"/>	<input type="checkbox"/>
25. Are all March 31st statements, bank books for savings and investment accounts available to the accountant? (Transfers between accounts, etc.) .....	<input type="checkbox"/>	<input type="checkbox"/>
26. Did the Trustees review the Lodge insurance policies, and update policies when necessary? .....	<input type="checkbox"/>	<input type="checkbox"/>
27. Have 1099s been issued covering the period January 1st through December 31st of the previous year? (1099s are to be issued to anyone making over \$600 — not covered under a payroll system — includes contractors, Officers, etc.) .....	<input type="checkbox"/>	<input type="checkbox"/>
28. Are the Secretary and Treasurer bonded? .....	<input type="checkbox"/>	<input type="checkbox"/>
29. Have all required taxes been paid (sales, payroll, etc.)? .....	<input type="checkbox"/>	<input type="checkbox"/>
Copies available for the accountant? .....	<input type="checkbox"/>	<input type="checkbox"/>
30. Did the accountant submit the annual report to the Chairman of the Lodge Auditing & Accounting Committee? .....	<input type="checkbox"/>	<input type="checkbox"/>
31. Were the findings and recommendations of the accountant reviewed with the Lodge Auditing & Accounting Committee by the accountant? .....	<input type="checkbox"/>	<input type="checkbox"/>
32. If required, were check signing authorization forms prepared for new bank accounts? .....	<input type="checkbox"/>	<input type="checkbox"/>
Were unused bank accounts closed out? .....	<input type="checkbox"/>	<input type="checkbox"/>
33. Did the Auditing & Accounting Committee present the Annual Financial Report to the membership, for their approval — in time to get the Report to the Grand Lodge Auditing & Accounting Committee Area Member by June 30th? .....	<input type="checkbox"/>	<input type="checkbox"/>
34. Were copies of the 990/990EZ and 990T tax forms submitted to the G/L Area Member along with the Annual Financial Report? .....	<input type="checkbox"/>	<input type="checkbox"/>

**— EXHIBIT G — (continued)**

**BUDGET REVIEW:**

	<b>YES</b>	<b>NO</b>
1. Was a budget prepared for all entities (Each Fund, Corp., Bingo, Lucky 7, etc.)?.....	<input type="checkbox"/>	<input type="checkbox"/>
2. Were the budgets prepared by the Board of Trustees?.....	<input type="checkbox"/>	<input type="checkbox"/>
3. Or was a special committee appointed?.....	<input type="checkbox"/>	<input type="checkbox"/>
4. Were the budgets prepared well enough in advance in order to be presented to the membership in May?.....	<input type="checkbox"/>	<input type="checkbox"/>
5. Were proper budget work sheets prepared showing one or two back years of actuals versus budgets, along with the projected items for the current year?.....	<input type="checkbox"/>	<input type="checkbox"/>
6. Were the budgets prepared in detail, reflecting, when applicable, both revenue and expenses (not netted out)?.....	<input type="checkbox"/>	<input type="checkbox"/>
7. Were the items in the budget set up in Chart of Account number order?.....	<input type="checkbox"/>	<input type="checkbox"/>
8. Did the Budget Committee (Trustees/Other) consult, through the Exalted Ruler, with the various Lodge Committees, Foundations, Corporations, etc., for their input to the Budget?.....	<input type="checkbox"/>	<input type="checkbox"/>
9. Was the prior year information used as a guide, giving consideration to factors which would/may affect next year's amounts?.....	<input type="checkbox"/>	<input type="checkbox"/>
10. Were new items set forth, as anticipated?.....	<input type="checkbox"/>	<input type="checkbox"/>
11. Were contingent purpose items set forth?.....	<input type="checkbox"/>	<input type="checkbox"/>
12. Was the budget in balance, or at least reflect a net gain?.....	<input type="checkbox"/>	<input type="checkbox"/>
13. If a deficit budget was prepared, is action being taken to correct the problem?.....	<input type="checkbox"/>	<input type="checkbox"/>
14. Was the Exalted Ruler consulted before the Budget was finalized?.....	<input type="checkbox"/>	<input type="checkbox"/>
15. Was the final budget approved in writing, by the entire Board of Trustees?.....	<input type="checkbox"/>	<input type="checkbox"/>
16. Was the Budget incorporated in the Trustees minutes?.....	<input type="checkbox"/>	<input type="checkbox"/>
17. Did the Board of Trustees present the Budget to the membership in detail?.....	<input type="checkbox"/>	<input type="checkbox"/>
And was it presented by a knowledgeable individual?.....	<input type="checkbox"/>	<input type="checkbox"/>
18. Was the budget approved by the membership?.....	<input type="checkbox"/>	<input type="checkbox"/>
19. Was the budget incorporated into the Lodge minutes?.....	<input type="checkbox"/>	<input type="checkbox"/>
20. Does the membership understand that the budget is only to be used as a guide throughout the year?.....	<input type="checkbox"/>	<input type="checkbox"/>
21. Does the Treasurer understand that no budgeted expenditures are to be paid, without first being processed through the voucher system, and having the approval of the membership?.....	<input type="checkbox"/>	<input type="checkbox"/>

**NOTE:** Forward a copy of the budget to your outside Accountant, and place a copy in the Auditing & Accounting Committee files.

Each month, select items and compare budget to actuals to ensure Lodge adhering to the approved budget.

**— EXHIBIT G — (continued)**

**REVIEW OF BOARD OF TRUSTEES' OPERATION:**

This guide is for the use of the Lodge Auditing & Accounting Committee in conducting reviews of the business management operations of the Board of Trustees (as specified, in part, in Sec. 12.070 of the Grand Lodge Statutes) . . . before proceeding with any review, the Auditing & Accounting Committee should read and achieve an understanding of the stated section.

	<b>YES</b>	<b>NO</b>
1. Does the Board of Trustees hold regular meetings? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Are formal minutes kept of all meetings? .....	<input type="checkbox"/>	<input type="checkbox"/>
And are all vouchers/bills approved there for payment by the Lodge listed in the minutes in detail? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the Board have a complete inventory of all Fixed Assets, and is the inventory kept current? .....	<input type="checkbox"/>	<input type="checkbox"/>
4. Is a copy of the inventory filed off of the Lodge premises? .....	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the Board control all investments, and monitor such investments for the benefit of the Lodge? .....	<input type="checkbox"/>	<input type="checkbox"/>
6. Are all investments recorded under the name of the Lodge (and not the Trustees)? .....	<input type="checkbox"/>	<input type="checkbox"/>
7. Does the Board report to the Treasurer, on a quarterly basis, interest earned on such investments? .....	<input type="checkbox"/>	<input type="checkbox"/>
8. Does the Board fully understand that they do not have the authority for listing of Lodge real estate for sale and/or entering into any contracts without the prior approval of such actions by a majority vote of the Lodge? .....	<input type="checkbox"/>	<input type="checkbox"/>
9. Does the Board report to the membership, at each meeting, concerning their activities? .....	<input type="checkbox"/>	<input type="checkbox"/>
And issue formal reports monthly? .....	<input type="checkbox"/>	<input type="checkbox"/>
10. Does the Board present a segregated budget, to the membership, by the final meeting in April? .....	<input type="checkbox"/>	<input type="checkbox"/>
11. Did the Board include an item in the Budget for contingent purposes to cover emergencies? .....	<input type="checkbox"/>	<input type="checkbox"/>
12. Does the Board fully understand that all of their activities are subject to the will of the Lodge? .....	<input type="checkbox"/>	<input type="checkbox"/>
13. Does the Board fully understand that they are not, under any circumstances, to have control over any Lodge/corporation/etc. checkbooks? .....	<input type="checkbox"/>	<input type="checkbox"/>
14. Does the Board understand that when the Exalted Ruler appoints a House Committee, they have no authority over this Committee? .....	<input type="checkbox"/>	<input type="checkbox"/>
15. Are the insurance policies properly reviewed by the Board? .....	<input type="checkbox"/>	<input type="checkbox"/>
16. Did the Board record in their minutes receipt of the bonds of the Officers wherein the surety may be either personal or corporate (and in the amounts fixed by the By-Laws)? .....	<input type="checkbox"/>	<input type="checkbox"/>
17. Does the membership fully understand that no assets may be borrowed from the Lodge (House, etc.) without the approval of the Board of Trustees? .....	<input type="checkbox"/>	<input type="checkbox"/>
18. Does the Board keep a formal record of all assets borrowed by the membership? .....	<input type="checkbox"/>	<input type="checkbox"/>



**— EXHIBIT G — (continued)**

**REVIEW OF SECRETARY'S OPERATION:**

The Auditing & Accounting Committee is to review the Grand Lodge "SECRETARY'S MANUAL" and Sec. 12.050 of the Statutes before any reviews are performed. This will give the auditor good insight as to the responsibilities of, and work performed by the Secretary.

**NOTE:** Review items listed below are to be used to assist the Lodge Auditing & Accounting Committee; The review is not restricted to these items.

	<b>YES</b>	<b>NO</b>
1. Does the Secretary receive all Lodge mail? (The Exalted Ruler may pick up the mail.).....	<input type="checkbox"/>	<input type="checkbox"/>
2. Is it distributed properly? .....	<input type="checkbox"/>	<input type="checkbox"/>
And is there a follow-up on any letters requiring a reply? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. Are all funds submitted directly to the Secretary? (This includes funds from all Lodge Committees, House Operations, Refunds, Bank Transfers, etc.).....	<input type="checkbox"/>	<input type="checkbox"/>
4. Does the Secretary issue a receipt for all funds submitted to him? .....	<input type="checkbox"/>	<input type="checkbox"/>
5. When the Secretary receives any cash, does he make the proper entries in his cash book, designating what the cash is for?.....	<input type="checkbox"/>	<input type="checkbox"/>
6. Are funds accompanied by a detailed report setting forth the accounts affected when submitted? .....	<input type="checkbox"/>	<input type="checkbox"/>
7. Does the Secretary submit funds to the Treasurer on a timely basis?.....	<input type="checkbox"/>	<input type="checkbox"/>
And does he when submitting funds, designate the accounts affected? .....	<input type="checkbox"/>	<input type="checkbox"/>
8. Does the Secretary properly report, in detail, "Receipts of the Session" at the Lodge meetings — using the Cash Receipts Book as the basis for the data?.....	<input type="checkbox"/>	<input type="checkbox"/>
9. Are all funds for dues remitted to the Secretary? .....	<input type="checkbox"/>	<input type="checkbox"/>
10. When dues money is received and a membership card issued, is the proper information noted on the membership card stub? (Membership #, date paid, etc.; the stub information will be used as a basis for entering the data on the member's records).....	<input type="checkbox"/>	<input type="checkbox"/>
11. Is the dues data posted properly, and on a current basis, to the individual Membership Records? (Whether manual or computerized system) .....	<input type="checkbox"/>	<input type="checkbox"/>
12. Is the dues information posted correctly to the Secretary's Cash Receipts Book? .....	<input type="checkbox"/>	<input type="checkbox"/>
13. Does the Secretary mail the dues notices as required? .....	<input type="checkbox"/>	<input type="checkbox"/>
14. Are notices from the Secretary concerning dues placed in the Lodge Bulletin?.....	<input type="checkbox"/>	<input type="checkbox"/>
15. Is a proper control placed over "Delinquent Members"?.....	<input type="checkbox"/>	<input type="checkbox"/>
16. Are Members who are 1-year delinquent since October 1st dropped for non-payment of dues before the following April 1st? .....	<input type="checkbox"/>	<input type="checkbox"/>
17. Does a proper system exist regarding contacting "Lapsed Members"? . . . Is there a follow-up? .....	<input type="checkbox"/>	<input type="checkbox"/>
18. Does the Secretary use the Grand Lodge Work-Sheets to record monthly membership changes (New Members, Deaths, Dues Payments, Lapsation, etc.)? .....	<input type="checkbox"/>	<input type="checkbox"/>
19. When the Secretary receives bills, does he contact the responsible individuals to get their written approval on the bills? .....	<input type="checkbox"/>	<input type="checkbox"/>
20. Does the Secretary prepare a numerically controlled Voucher for each bill received (regardless of the amount of the bill)?.....	<input type="checkbox"/>	<input type="checkbox"/>
21. Do the Exalted Ruler and the Secretary approve each voucher prepared? .....	<input type="checkbox"/>	<input type="checkbox"/>
22. After ER and SECY approve Vouchers, are all bills then presented to the Board of Trustees for review and approval? (NOTE: ALL bills are to be vouchered including recurring expenses such as utilities, mortgage, etc.) .....	<input type="checkbox"/>	<input type="checkbox"/>
23. After the Vouchers/Bills are approved for payment by the Trustees, are the bills presented to the membership by the Secretary under "Bills Against the Lodge"?.....	<input type="checkbox"/>	<input type="checkbox"/>

**— EXHIBIT G — (continued)**

- 24. Are such bills presented to the membership in detail (Voucher #, amount, Vendor, What for)? .....
- And is this information reflected in the Lodge minutes in detail? .....
- 25. Does the Secretary receive all Committee reports with funds and bills attached, in a timely manner?  
(This includes Lodge Committees, House Committee).....
- 26. Does the House Committee submit proper records to the Secretary relating to bar operations  
(Register tapes, proper allocation of all register readings, etc.)?.....
- 27. Are copies of all Committee reports on file in the Secretary's office — available for the Lodge  
Auditing & Accounting Committee and the outside accountant?.....
- 28. Does the Secretary have a good control over membership numbers and are the numbers assigned in  
proper order? .....
- 29. Does the Secretary maintain a complete list of the members and is it kept current? .....
- 30. Is there a membership record on file for each member, past and present, since Lodge inception? .....
- 31. Are the records properly secured within the Secretary's Office?.....
- 32. Is access to the Secretary's Office restricted? .....
- 33. Is proper security exercised over all cash the Secretary receives? .....
- 34. Is the Annual Membership Report submitted by the Secretary to the Grand Lodge on time? .....
- 35. Does the Secretary keep proper minutes — accurate, full and complete?.....
- 36. Does the Secretary have knowledge about tax laws that affect the Lodge operations?.....
- 37. Does a separate Inactive File exist over: Drops, Expulsions, Dimits Out, Deaths, etc.)? .....
- And is this information so noted on the membership inactive records?.....
- 38. Does the Secretary work with the Lapsation Committee?.....
- 39. Does a proper control exist over Life Members, and those eligible for same? .....
- 40. Is there a program in operation to contact "Stray Elks"? .....

**— EXHIBIT G — (continued)**

**REVIEW OF TREASURER'S OPERATION:**

The Lodge Auditing & Accounting Committee should read and understand Section 12.060 of the Statutes "Duties of the Treasurer", before proceeding with their review.

	YES	NO
1. Are all cash receipts submitted to the Secretary and none directly to the Treasurer? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Does the Treasurer issue a receipt to the Secretary for all cash receipts received? .....	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the Treasurer maintain the books of record; Cash Receipts — Disbursement Journal and General Ledger? .....	<input type="checkbox"/>	<input type="checkbox"/>
4. Are the books set up in accordance with the Chart of Accounts? .....	<input type="checkbox"/>	<input type="checkbox"/>
5. Does the Treasurer get involved in the preparation of the annual budget? .....	<input type="checkbox"/>	<input type="checkbox"/>
6. 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? .....	<input type="checkbox"/>	<input type="checkbox"/>
7. Have the cash receipts, and cash disbursements, been posted in a current manner, and to the proper accounts? .....	<input type="checkbox"/>	<input type="checkbox"/>
8. Are separate controls set up for:		
Unrelated Income activities? .....	<input type="checkbox"/>	<input type="checkbox"/>
Restricted Accounts? .....	<input type="checkbox"/>	<input type="checkbox"/>
9. Does the Treasurer understand that the only individuals who can be involved with the Restricted Accounts are the appropriate Committee Chairmen? .....	<input type="checkbox"/>	<input type="checkbox"/>
10. Has Interest earned, as noted on bank statements, or from investments, been entered in the cash receipts journal? .....	<input type="checkbox"/>	<input type="checkbox"/>
Does the Board of Trustees supply the interest earned to the Treasurer on a monthly/quarterly basis? .....	<input type="checkbox"/>	<input type="checkbox"/>
11. Do revenues from the following entries compare with source document and code number of the Chart of Accounts? and are they posted properly?		
• Receipts from each fund-raising event, special or catered affair? .....	<input type="checkbox"/>	<input type="checkbox"/>
• Rental of Real Estate facilities? (Not booked by Trustees) .....	<input type="checkbox"/>	<input type="checkbox"/>
• Daily Bar and Lounge receipts (through Secretary)? .....	<input type="checkbox"/>	<input type="checkbox"/>
• Daily Dining Room receipts (through Secretary)? .....	<input type="checkbox"/>	<input type="checkbox"/>
• Receipts from Bingo and machines? .....	<input type="checkbox"/>	<input type="checkbox"/>
• Receipts from Lucky 7's; Bell Jar? .....	<input type="checkbox"/>	<input type="checkbox"/>
• Other(s) peculiar to the Lodge (pool, Snack bar, etc.)? .....	<input type="checkbox"/>	<input type="checkbox"/>
12. Are bank deposits made promptly? .....	<input type="checkbox"/>	<input type="checkbox"/>
13. Do the deposits reconcile with both the Secretary and Treasurer's receipts? .....	<input type="checkbox"/>	<input type="checkbox"/>
14. Was the Cash Receipts Journal correctly totaled and balanced? .....	<input type="checkbox"/>	<input type="checkbox"/>
15. Were entries from the cash journals correctly posted to the General Ledger? .....	<input type="checkbox"/>	<input type="checkbox"/>
16. Trace revenues entry to the General Ledger, to the entry in the Cash Journal, and to the bank deposit slip; was each entry correct? .....	<input type="checkbox"/>	<input type="checkbox"/>
17. Count cash on hand for each authorized entity; does the amount reconcile with the recorded amount? .....	<input type="checkbox"/>	<input type="checkbox"/>
18. Is a voucher system used in authorizing expenditures by the Lodge? .....	<input type="checkbox"/>	<input type="checkbox"/>
19. Do check amounts agree with invoices? .....	<input type="checkbox"/>	<input type="checkbox"/>
20. Are all invoices marked "Paid" with the date and check number posted thereon? .....	<input type="checkbox"/>	<input type="checkbox"/>

**— EXHIBIT G — (continued)**

- 21. Were payroll time cards/records approved properly; and were payroll checks computed correctly based on hours worked, taxes withheld? .....
- 22. Is the number of checking accounts kept to a minimum?.....    
 And if not are steps being taken to reduce the number? .....
- 23. Were the latest monthly Cash Disbursement Journals properly posted to the General Ledger? .....
- 24. Were the statements from each bank, or Depository, reconciled monthly? .....
- 25. Cash payments are not to be made: Were any made? .....
- 26. Were reimbursements for petty cash processed properly through the voucher system? .....
- 27. Were Payroll taxes withheld on all employees?.....
- 28. Were all tax payments, payroll, sales, etc., paid when due? (Note section on taxes) .....
- 29. Does the Treasurer make financial reports to the membership, on a monthly basis? .....
- 30. Is a bookkeeper employed by the Lodge and does he/she report to the Treasurer?.....
- 31. Is the Treasurer custodian of all checking accounts?.....    
 And is he Treasurer of ALL entities (per G/L)? .....
- 32. Is the Treasurer bonded properly?.....
- 33. Does the Treasurer sign all checks? .....    
 And are two signatures required for each check? .....
- 34. Are any checks pre-signed before properly-approved vouchers have been processed?  
 (Under no condition is the Treasurer to pre-sign checks) .....

**— EXHIBIT G — (continued)**

**REVIEW OF HOUSE COMMITTEE'S OPERATION:**

In general, members of the Lodge Auditing & Accounting Committee should familiarize themselves with procedures and manuals pertaining to the positions of:

- Secretary, Treasurer, Board of Trustees, and budget requirements.

In reviewing the House Committee operations, please keep in mind the basic purpose of your review of the House Committee operations is ultimately to provide reasonable assurance to the membership that:

- Cash assets are safeguarded against loss from unauthorized use or disposition,
- That transactions are executed as intended by the Lodge in a manner that will promote accurate financial statements; and that
- The House Committee utilizes the required budget process to control expenditures and prevent any losses.

	<b>YES</b>	<b>NO</b>
1. Is a Voucher System used by the House Committee? .....	<input type="checkbox"/>	<input type="checkbox"/>
2. Is all incoming merchandise required to pass through a responsible individual?.....	<input type="checkbox"/>	<input type="checkbox"/>
3. Does the House Committee Chairman approve all House-related bills?.....	<input type="checkbox"/>	<input type="checkbox"/>
4. Are inventories taken by individuals other than the bartenders, manager, steward or chef?.....	<input type="checkbox"/>	<input type="checkbox"/>
5. Are recording cash registers used in handling cash receipts of the House operations (Bar, Dining Room, etc.)? .....	<input type="checkbox"/>	<input type="checkbox"/>
6. Are proper recap sheets prepared by the House Committee (Ref. 6-206a)? .....	<input type="checkbox"/>	<input type="checkbox"/>
7. Are all register receipts with the applicable tapes attached to a formal bar report turned into the Secretary?.....	<input type="checkbox"/>	<input type="checkbox"/>
8. Are cash receipts properly safeguarded — by adequate safes, or prompt deposit?.....	<input type="checkbox"/>	<input type="checkbox"/>
9. Did the Lodge Secretary receive the House reports and post the information to his cash receipts book? .....	<input type="checkbox"/>	<input type="checkbox"/>
10. Was the bank of the bartender / steward verified? .....	<input type="checkbox"/>	<input type="checkbox"/>
11. Were proper controls set up on "unrelated income"?.....	<input type="checkbox"/>	<input type="checkbox"/>
12. Are Friday Nite dinners controlled by a Lodge Committee, and is the House Committee properly billing said committee? .....	<input type="checkbox"/>	<input type="checkbox"/>
13. Any inventory sold at wholesale to anyone (NOT permissible)? .....	<input type="checkbox"/>	<input type="checkbox"/>
14. Dinner checks issued controlled as to checks to cashier and number remaining in books? .....	<input type="checkbox"/>	<input type="checkbox"/>
15. Is Bar license on proper display? .....	<input type="checkbox"/>	<input type="checkbox"/>
16. Are payroll taxes being withheld on ALL employees?.....	<input type="checkbox"/>	<input type="checkbox"/>
17. Are all employees (full-time and part-time) paid by check? .....	<input type="checkbox"/>	<input type="checkbox"/>
18. Is the liquor storeroom under control of someone other than anyone related to bar operations (including manager)? .....	<input type="checkbox"/>	<input type="checkbox"/>
19. Is a perpetual inventory maintained over liquor in stockroom? .....	<input type="checkbox"/>	<input type="checkbox"/>
20. Did you review the House Committee Budget? .....	<input type="checkbox"/>	<input type="checkbox"/>
21. Were profits transferred to the General Fund shown as an expense on the House Budget and income on the General Fund Budget? .....	<input type="checkbox"/>	<input type="checkbox"/>
22. Was the Auditing & Accounting Committee involved in the year-end inventory?.....	<input type="checkbox"/>	<input type="checkbox"/>
23. Did the Auditing & Accounting Committee price up the inventory at cost, and furnish the accountant with a certification statement? .....	<input type="checkbox"/>	<input type="checkbox"/>
24. Does the beverage (liquor, wine and beer) Cost of Goods Sold exceed 35% of the gross income? .....	<input type="checkbox"/>	<input type="checkbox"/>
25. If it does, what is being done to reduce percentage? — Is House Committee taking action? .....	<input type="checkbox"/>	<input type="checkbox"/>

**— EXHIBIT G — (continued)**

**To compute Cost of Sales (Example):**

Inventory, April 1	\$ 2,960
Purchases	<u>22,737</u>
TOTAL:	25,697
Less 3/31 Inventory	<u>(3,942)</u>
Cost of Sales:	\$ 21,755
RATIO: Cost of Sales divide by	
Total Sales	= 38.53%
Sales (Liquor, beer, wine) = \$56,465	

By following a step-by-step cash flow of the funds received by the House Committee, to the cash register, through to the Secretary/Treasurer and to the bank deposits, the Auditor will be able to report the efficiency and accuracy of those handling the Lodge funds.

The Lodge Auditing & Accounting Committee should maintain a file which should consist of the following:

- Copy of budget approved by the Lodge
- Copy of monthly report, and/or quarterly made to the membership
- Copies of inventories taken
- Copies of cash deposits reviewed — to bank or Secretary cash receipts book
- Cash fund verification
- Members list
- House rules
- File of suspended members
- Sample taken of register tapes vs. deposits, etc.

**NOTE:** This file is to be made available to the District Deputy Grand Exalted Ruler/Auditor, and the Lodge Accountant.

— EXHIBIT H —

Example of IRS information document request.

Form **4564** Department of the Treasury-Internal Revenue Service

**Information Document Request**

**Description of Documents Requested**

The following information is being requested for the examination of Form 990 for the year ended 03/31/2007. The information requested will be used to verify the accuracy of the return and to determine whether:

- a. Your organization is operating in accordance with section 501(c) (8) of the Code.
- b. Your organization has income subject to the tax imposed by section 511 of the Code.
- c. Your organization filed all required returns (e .g., Forms 1099).

**Purpose:** To verify exempt operations and ascertain the independence of the board of directors, as well as the role of the directors in the organization.

1. Your Internal Revenue Service exempt status determination letter.
2. Your Form 1024, Application for Exemption.
3. Any other notices, ruling, determination, or examination letters you have received from the IRS.
4. Your Governing instruments (Le. Articles of Incorporation, charter, bylaws. etc.) for the local subordinate and the parent organization. Please be sure to provide the charter for the local subordinate.
5. All amendments made to any governing documents with date of ratification.
6. List of current and former officers, directors, and key employees. Is there any Board Member responsible for the day to day control over financial transactions? If so, please explain.
7. Disclose whether any of your current or former officers, directors or key employees are related to each other. Explain their relationships.

**Purpose:** To verify operations for exempt purposes.

8. Minutes of Meetings held between January 1, 2005 - Present.
9. a) the Board of Counsel b) any other committees.
10. Are regular board meetings held? If so, please describe how often the board meets.
11. Is there a membership requirement? If so please explain. Are there membership classes? If so, please explain.
12. Please provide copy of membership rooster for the year of examination to present.
13. Explain the established system for the payments of life, sick, accident or other benefits to the members or their dependents.
14. What is the ratio for Members eligible to receive benefits and those who are not eligible?

**Purpose:** To obtain financial information with respect to organization's operations.

15. Provide a copy of your chart of accounts.
16. Provide a list of all bank accounts and bank statements held by the organization, including the account number, the type of account checking, savings, etc.), and the name of the financial institution for the examining year.
17. Provide bank and/or investment records from all accounts open during examination year. (Monthly statements, deposit tickets, check register, cancelled checks, line of credit, loans, etc.).
18. Internal and independent auditor reports and financial statements for examination year.
19. The year-end summary general ledger(s) for examination year.
20. The beginning and year-end trial balance for examination year.
21. A detailed balance sheet for examination year.
22. A detailed income statement for year of examination.

— EXHIBIT H — (continued)

23. Any budget reports concerning year of examination.
24. Provide documents of the occupancy expense with explanation of its usage.
25. All subsidiary ledgers maintained during examination year. (A/R, A/P, Purchases, Petty cash, Payroll, etc.)
26. Have available for inspection the supporting documents for general & subsidiary ledger entries for income and expenses for 2006 year. (Invoices, receipts, contracts). Specifically for membership dues, gross rents, fundraisers and sales of inventory items for income items & grants, occupancy, conferences, repairs and supplies expense items.
27. Provide a schedule, listing the name and amount(s) by corporate donors who contributed funds to the organization.
28. Provide for inspection, all expense reports filed by any person during 2006 year seeking reimbursement for expense(s) incurred on behalf of the organization. (Supplies, travel etc.)
29. Provide copies of the procedures used to reimburse persons for expenditures made on behalf of the organization.
30. Contracts, leases or agreements to which the organization was a party to during the year under audit.
31. Provide explanation of the type benefits provided to members and if they were monetary benefits provide the source documents for the expense.

**Purpose:** To obtain an understanding of the activities of the organization.

32. All Publications, Newsletters, Brochures, Pamphlets, and Other literature i.e. house rules utilized or distributed during the year of examination and after in conducting your program activities. Explain how materials are distributed and to whom materials are distributed. If materials have been revised, provide the latest version and identify when it was introduced and the nature of the revision. If materials are on the internet, who can access the information?
33. How does your organization determine the content of your web site, and describe the necessary review/approval process for this web site content.
34. List all of the activities of this organization in order of importance. Describe the types and amounts of paid or volunteer services related to each activity.

**Purpose:** To determine whether your organization has properly filed all applicable federal returns.

35. Copies of Forms 990 filed for 2005, 2006 and 2007.

**Purpose:** To obtain an understanding of the activities, history, and finances of the organization.

36. Correspondence file, if any, with IRS and other federal agencies.
37. A knowledgeable officer of the organization.
38. A room (desk) to work if possible.

- Additional information may be requested as the examination progresses.





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