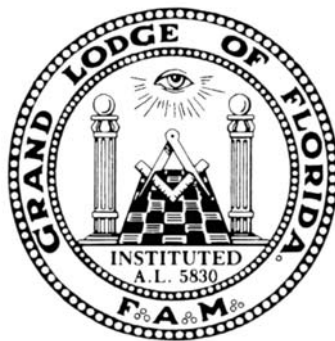


The Most Worshipful Grand Lodge of Free and Accepted Masons of Florida

220 North Ocean Street
Jacksonville, Florida 32202

Blue Lodge Financial Management Handbook

Third Edition
August 2019



Updated by:

R.:W.: Rudin J. Boatright, P.D.D.G.M., Grand Treasurer
and

M.:W.: Richard E. Lynn, P.G.M., Grand Secretary



Introduction
Special Acknowledgement
R.: W.: Grand Treasurer, P.M., Grand Lodge of Montana

There has been a lot of effort placed on the functions of the office of Lodge Secretary. Most Lodges in Florida have embraced the software available to them. There are monthly and annual reporting requirements required by the Digest of Masonic Law.

In recent years, proper financial management has become more of a concern and this has created more interest in the position of Lodge Treasurer. Some Lodges have had undesirable experiences in the handling of financial transactions of the Lodge, and this type of problem may become detrimental to the well-being of the Lodge.

The Lodge Secretary has long been the focal point of Lodge administrative and financial activities and transactions. Many Lodges have had a Treasurer in name only.

The financial management responsibilities are often misunderstood, not known, or not readily identifiable. Members have been reluctant to accept the responsibility as Lodge Treasurer because of lack of information or guidance and an assumption that the job might be too great for them.

While most Lodge members find some of the tasks require training, education, or experience not usually held by a member of the Lodge, most are repetitive and not that difficult. Finding a member willing to be the Treasurer is difficult, especially in smaller Lodges. This Handbook is an attempt to provide guidance, information, and specific instruction that will aid in the successful completion of the financial responsibilities of a Masonic Lodge.

I would appreciate comments, suggestions, and recommendations for information to be added, identification of incorrect information or content, and recommendations for material to be deleted. Questions on the content should be addressed to me.

I would like to express my sincere gratitude to Bruce W. Lahti, P.M., R.: W.: Grand Treasurer of the Grand Lodge A. F. & A.M. of Montana, for graciously sharing his work with me. A great amount of the information in this handbook is the result of his labor. By providing me with the framework for this handbook, he greatly reduced the work necessary to prepare a guide for Florida Lodge Treasurers.

Sincerely and fraternally,

M.: W.: Elmer G. Coffman, P.G.M., Grand Treasurer Emeritus

Blue Lodge
Financial Management
Handbook

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Section One - General

The proper management of the finances and property of a Lodge is one of the most important duties of Lodge government. This responsibility rests with the Elected Officers, but most importantly with the Lodge Treasurer and Lodge Secretary. The responsibilities of these officers are described in the Masonic Leadership Training Manual, the Digest of the Masonic Law of Florida, the Lodge By-Laws, the Masonic Ritual, and the oath taken at installation.

Every member of a Lodge is a “stake holder” in the Lodge and as such is entitled to information regarding the financial condition and activities of the Lodge number. Correct financial information must be made available to those desiring it. Withholding such information creates suspicion and doubt in Lodge Officers and is strongly discouraged.

Members of a Lodge should become familiar with Lodge financial transactions and responsibilities and be satisfied with the manner in which they are performed. Any suspicion of irregularity should be immediately addressed to the Lodge Officers.

Section Two - Committees

Management of the assets of a Lodges financials is a responsibility assigned to the “Treasurer” by the Particular Lodge By-Laws Chapter 24, (6.05) and the Digest of the Masonic Law of Florida Treasurer and Secretary (22.02). The Worshipful Master, Treasurer, Secretary, and the Finance Committee Chapter 24, (10.02). Duties should include maintenance and purchase of paraphernalia, buying, and selling Lodge property, making decisions on investments, establishing the annual budget, approving expenditures before they are submitted to Lodge members for a “vote to pay,” and auditing the Lodge financial records.

Finance Committee. - The Finance Committee shall consist of the Senior Warden and up to six (6) members, including a Past Master of the Lodge appointed by the Worshipful Master, whose duty it shall be to examine and report upon all matters relating or appertaining to the financial concerns of the Lodge, which may be placed in their hands by the Lodge or any member thereof, or other person. They shall also examine carefully and fully, and report on in writing within thirty days after the close of the Masonic year, all the books, accounts, records, and vouchers of the Treasurer and Secretary or cause all of the same to be done by some competent person recommended by the Committee and approved by the Lodge

10.09 Committee on Lodge Property. - The Committee on Lodge Property shall be composed of not fewer than three (3) or more than five (5) members appointed by the Worshipful Master whose duties it shall be to:

1. Promulgate and propose to the Lodge written Rules for government of the Lodge property.
2. Arrange schedules of meetings of other groups using Lodge property in order to avoid conflicts.
3. Make recommendations to the Lodge for improvements, repairs, additions, and renovations of Lodge property and for maintenance of Lodge Temple and grounds.
4. Under direction of the Worshipful Master and the Lodge negotiate for agreements between the Lodge and other organizations using Lodge Property.
5. Enforce or report to proper Masonic authorities for enforcement of all Lodge and Grand Lodge Rules and Regulations.

Lodge By-Laws, the Internal Revenue Code, and Florida State Statutes specifically address the responsibilities and establish standards for performance. The fiduciary responsibilities are great and failure to properly perform may be a serious matter.

While every member of the Fraternity has some area of interest to which his talents and efforts could be directed, not all have the background and knowledge to be able to fulfill the responsibilities assigned to Secretary and Treasurer. A member who is not elected to become a committeeman should accept the decision of the members of the Lodge. He should also offer his services in areas where he and the members feel he could be of better support to the Lodge.

Election to serve in this very responsible position should not be considered an honorarium but an indication that the members of the Lodge have confidence in the individual's abilities in this area and their desire to place these responsibilities upon his shoulders.

Section Three - Normal Financial Transactions

Current procedures require the Lodge Secretary to receive all monies paid to the Lodge and forward them to the Treasurer, who is responsible for the true and accurate accounting of all Lodge funds. **Regulation 24.05, By-Law Section 13.03 Disbursement.** The Treasurer shall keep the Lodge funds at all times, subject to the immediate control of the Lodge, and shall pay out none but return fees and charity funds, except by Lodge action, and the Master's written order, which in every instance, must constitute his voucher, *provided* that Lodge action is not required for the payment of Grand Lodge Annual Revenue and fees, the Lodge By-Laws require the use of "warrants" and establish procedures for the handling of funds.

These procedures and others established in this Handbook, when followed, provide the capability to insure that transactions are being properly completed and funds are being properly handled. The completion of annual financial reports as required and audited as prescribed in **Particular Lodge By-Laws (Section 10.02)**, *The Finance Committee* will provide a record of compliance for those handling the funds and insure Lodge members that the funds have been handled properly.

The warrant may have many faces. Some Lodges continue to use the manual receipt system with the Secretary providing the Treasurer with a warrant and the Treasurer providing the Secretary with information on the check issued. Others have changed to other less cumbersome procedures or to the use of computer printouts. The primary concern is that there is a paper trail for all monies received and paid out. The warrant should be visually different from receipts to avoid confusion. **Copies of the warrants and cash receipts should be maintained in the Secretaries Office for review.*

The handling of cash is a vulnerable point in money management. The use of serially numbered cash receipts is a necessity to assure all cash receipts are properly recorded. Copies of the cash receipts must be provided for use in the conduct of the annual audit.

There is no specific provision requiring the recording of payment of annual dues in the individual's records maintained by the Lodge Secretary; however, a means should be established to permit audit of dues payments. One way is to ensure the records exchanged between the Secretary and Treasurer specifically list the name of the member for whom dues payment has been received. This record can be used to verify the income received from dues payments and to identify members for consideration of suspension for non-payment of dues.

Petty Cash is another vulnerable area. Should the Lodge decide to use a petty cash account, the petty cash holder should create receipts for the cash by use of a written or printed cash receipt which should be retained on file as long as the individual retains the petty cash. The amount of the petty cash account should appear as “Petty Cash” in the Balance Sheet.

The petty cash account should be reimbursed when paid bills or cash receipts are submitted. The accounting would be a reduction of cash with the balancing entry(ies) being associated with the appropriate expense account(s).

The balance in the petty cash account should be verified periodically or at the time of reimbursement by verifying that the cash on hand, when added to the paid receipts on hand, equals the amount indicated in the “Petty Cash” account on the Balance Sheet. This verification should also be included in the annual audit.

No disbursements or payments should be made without the presence of an invoice, bill, or other document reflecting a balance due. Reimbursements for paid bills should not be made without the original bill or a copy thereof. Each invoice or bill paid should be annotated with the date of payment and check number recorded directly on it. These documents should be maintained in chronological order to permit ease of reference during audits and to provide ease in researching transactions.

Section Four - Grand Lodge Purchases

A supply of items for resale is maintained by the Grand Secretary’s Office. When ordered by a Lodge or individual, the items are shipped with an invoice for the amount due. The invoice is due and payable upon receipt and should be paid no later than immediately after the next normally scheduled business meeting of the Lodge. If items are ordered when a Lodge is “dark,” the invoice is considered a normally accruing bill that should be paid immediately.

Periodically, the Grand Secretary may forward a Statement to any given Lodge that reflects transactions in the Lodge account and may indicate invoices for which payment is due or overdue. Overdue invoices should be paid immediately. Invoices less than 30 days old should be paid as prescribed in the preceding paragraph.

When a Lodge disagrees with the information contained within the statement, the Grand Treasurer should be contacted. The Grand Treasurer is responsible for the content of the Grand Lodge financial records and is the only individual who may make changes to the record.

Note: Should the Lodge be 90 days or more past due, shipping will be withheld until the account becomes current.

Section Five - Insurance

The Grand Lodge **does not** provide each of its Constituent Lodges and members the liability coverage for constituent Lodge functions. The individual Lodges should secure a policy of insurance from a reputable company. Some Lodges are tenants, while others are building owners. Each Lodge is faced with various situations that bring with it specific insurance needs and requirements. For Grand Lodge functions, like District Meetings, Grand Lodge can supply a certificate of insurance for the use of non-Masonic facilities.

We recommend the following as a minimum that each Lodge should do to protect their building, other physical assets (regalia, room furnishings, equipment, etc.), and its members:

1. From time to time shop your insurance either by calling several agents or by asking your independent agent to make inquiries of their several companies.
2. All policies should be reviewed annually.
3. A report should be made to the Lodge annually which summarizes what is being insured and for how much.
4. Lastly, please do not hesitate to let us know if you have any questions or concerns as you move forward with this process. The very worst time to find out that you are not covered is after you have a claim.

The local Lodge is responsible for obtaining some or all of the following insurance:

Building Insurance (if building is owned by Lodge)
 Renters Insurance (if building is rented)
 Property Coverage (for contents)
 Liability Coverage
 Workers' Compensation Insurance (if required)
 Wind Storm and Flood

If you have other organizations using your Lodge you should have the following:

A binder from the other organization naming the Lodge and The Most Worshipful Grand Lodge as an additional insured and include a thirty (30) day notice for cancellation or non-renewal.
 A hold harmless agreement.

Section Six - Life Memberships and Perpetual Memberships

Member purchases of a Life Membership should be recorded in Lodge financial records.

3.03 Life.

- (a) Life memberships shall be of three classes:
 - (1) Life membership conferred by the Lodge upon payment of a fixed fee therefor which life membership shall exempt the recipient from payment of Grand Lodge Annual Revenue.
 - (2) Life membership conferred by the Lodge without payment of fee therefor which exempts recipient thereof from payment of Grand Lodge Annual Revenue, and
 - (3) Life membership conferred by the Lodge which does not exempt the recipient thereof from payment of Grand Lodge Annual Revenue, and
- (b) No life membership conferred for payment of fixed fee therefor and which shall exempt the recipient thereof from payment of Grand Lodge Annual Revenue may be conferred for a fee of less than *\$ _____ dollars, which fee, in whatever amount fixed, shall be deposited or invested as hereinafter set forth.

(NOTE: *Insert amount, which must be not less than \$400.00.)

- (c) No life membership which exempts recipient thereof from payment of Grand Lodge Annual Revenue may be conferred by the Lodge without payment of fee therefor except upon the condition that the Lodge immediately set aside from its own funds for deposit or investment as hereinafter provided a minimum sum of two hundred (\$200.00) dollars except where the amount already in reserve funds is sufficient to equal two hundred (\$200.00) dollars per life membership at all times.

(d) All funds derived from fees for life memberships and all funds set aside by the Lodge upon conferring life membership without payment of fee therefor shall be invested in bonds of the United States of America or deposited in savings accounts in institutions where such savings accounts are insured or in such other securities or stocks as shall be approved by the Grand Lodge, the interest derived from such deposit or investment to be deposited in the General Fund of the Lodge.

(e) Upon the death, expulsion, dimit, or disappearance of a life member as provided in Regulation 26.06 the Lodge may withdraw the deposit provided for such life member or dispose of the government bonds purchased with the proceeds thereof and return said funds to the general funds of the Lodge. (See Attachment 6-1)

3.03.1 Perpetual. Perpetual Memberships are authorized by Particular Lodges subject to the following terms and conditions contained in **Chapter 24**.

Section Seven - Contributions

Constituent Lodges are approved under Section 501(c)(10) of the IRS Code as Fraternal Organizations. A Lodge may receive contributions from members for a variety of programs or for specific reasons. Contributions made to a Lodge for charitable purposes, such as education and relief, are authorized itemized deductions on individual income tax returns; however, contributions for upkeep or maintenance of their building or for operation of the Lodge are not authorized deductions for individual income tax purposes.

When a Lodge establishes its own program for charitable purposes such as for scholarships or relief, it should establish an account in the Income Section of their Profit and Loss Statement to record the receipts (this record should also include the name of the contributor and the amount of the contribution) and another account in the Expense Section of the Profit and Loss Statement to record the distribution (this record should also include the name of the recipient(s) and the amount distributed).

Lodges may conduct fundraisers for charitable organizations approved under Section 501(c)(3) such as the Grand Lodge Masonic Charities 501(c)(3), George Washington National Masonic Memorial, Masonic Medical Research Lab, The Masonic Home Endowment Fund, Inc., or other qualified charitable organizations and receive contributions to be forwarded to these organizations. When this fundraising is performed it is recommended that the Lodge have a designated individual responsible for the program or activity to receive, account for, and forward the contributions. Activities conducted to raise funds for these Charities must have their approval.

Members should make their contributions by check, payable to the charitable organization and not to the Lodge. A separate record (spreadsheet or manual record) should be prepared that would record contributions received and distributions made, but no record would be made within the Lodge accounting system. The responsible Lodge member may then report the results of the fundraising to the members of the Lodge.

It should be noted that if an individual makes a contribution to a charitable organization through the Lodge by including the contribution in the same check that pays his dues, the Lodge records may be required to prove the contribution and its use for charitable purposes, should the member's tax return be audited by the Internal Revenue Service.

Section Eight - Budgeting

Prudent financial practices include the preparation of an annual budget. Budgeting is the process of preparing a plan that estimates income and expenses for a given period of time for desired activities. It is important to note that a budget is simply a plan and is not necessarily restrictive in the conduct of activities. During most budgeted cycles there will be budgeted income that will not be received and budgeted expenses that will not be paid. However, the information will be invaluable in planning future activities.

The budgeting process should include reference to records of similar activities in prior time periods and that information used in estimating the income or costs for the planned period. When no prior information is available on a given activity, research should be completed to provide information upon which to base an estimate.

The Budget Committee may consist of the The Finance Committee and should consist of the Senior Warden and up to six (6) members, including a Past Master of the Lodge, appointed by the Worshipful Master, the Secretary, and the Treasurer and other members of the Lodge, if desired. In some Lodges the Budget Committee meeting is open to all members of the Lodge.

If the Lodge owns a building the budgeting cycle may have the Committee estimate the income for the building and estimate the expenses for maintenance and upkeep of the building and expenses for utilities. The Lodge Treasurer may provide information on income and expenses from investments and other non-building activities and the Secretary may provide information relative to other income and expense items, particularly Grand Lodge Fees and membership income. The Worshipful Master would plan the programs he desires and estimate their costs.

Note: When considering income from investments, the type of investment should be considered. Neither realized gains and losses nor unrealized gains and losses should be included in the budgeting process.

After a budget has been prepared and approved and another or new need is identified, it should be addressed. When considered a justifiable activity, it should be completed even if it is not in the budget. The income or expense should then be reported in financial documents as an unbudgeted item and the information will be available for future budgeting cycles.

The time consumed in Stated Meetings to approve payment of bills may be reduced when at the time the budget is approved by the members of the Lodge, they also approve an interdiction for the requirement of a vote on those expenditures that are included in the approved budget. Items not included in the budget would require a vote of approval by members prior to payment.

Section Nine - Investing

The responsibility for managing Lodge investments rests with the Finance Committee of the Lodge, although an Investment Committee may be also used to advise the Treasurer and Committee.

The investment goals should be identified by use of an Investment Policy Statement that begins with the determination of the desired results. A sample of an Investment Policy Statement is included in Attachment 9-1. Does the Lodge need cash flow? Is there a desire for appreciation in the investments? Is there a desire for income in the short or long term that will increase the value of the investment? Or, are there other desired results from the investments?

There are a variety of types of investments that may be considered by a Lodge, dependent upon the amount of funds available for investment and the investment goals of the Lodge. Once the goals are identified, the investment type may be identified that will achieve the desired results. The costs associated with the type of investment should be evaluated in conjunction with the return anticipated from the investment. Information provided by the investment firm or banking institution should be considered.

Time frames should be established to assure periodic review of the performance of the investments in comparison with the Investment Policy Statement. Evaluate the performance of investment advisors in comparison with other investment advisors. Most importantly, do not make an investment and not periodically evaluate its performance to assure the desired results are being achieved.

When funds are restricted as to their use, i.e., the fund is designated for a specific purpose and the principal as well as income may be consumed to achieve the purpose; or the fund is restricted to permit only the income to be used, special attention is required to insure that the restrictions placed on the funds are not violated. Violation of limitations placed on designated funds may result in loss of the funds.

Section Ten - Buildings and Real Property

All property is titled in the name of the Lodge therefore for financial and tax purposes is considered to be a part of the Lodge, and remains the responsibility of the Lodge.

The Lodge is responsible for the records pertaining to property and the financial information that must be included in the annual Lodge financial reports submitted to the Grand Lodge. Income from ownership of property must be included in “gross receipts” when determining if an informational annual tax return must be submitted to the IRS and the Florida Department of Revenue.

Real Property tax exemptions are permitted for fraternal organizations approved by the IRS under Section 501(c)(10). Property owned by a Lodge that is not titled to the Lodge may not be eligible for the tax exemption. Exemptions are not normally granted to blank land. When other Lodges or appendant bodies are permitted to use Lodge facilities a “contribution for maintenance of the building” from that entity is not appropriate. When non-exempt activities are permitted to use portions or all of a building the Lodge collects “rent” and the County Assessor may assess a pro rata real property tax number. In addition, sales tax must be forwarded to the Florida Department of Revenue. Payment by a tenant is considered rent and is subject to state sales tax. Income from a 501(c)(10) such as other Lodges does not need to be included on gross income for the IRS Form 990N.

Section Eleven - Taxes

The several types of taxes that may apply to a Lodge are discussed below. A representative of the Lodge should become familiar with the various taxes, source of the tax and its application to the Lodge. Establishing a personal relationship with personnel of the various agencies responsible for the collection of taxes that affect a Lodge is highly recommended.

Income Taxes:

Each Lodge has been approved by the Internal Revenue Service as a tax-exempt organization under the provisions of the IRS Code, Section 501(c)(10), Fraternal Organization. A Lodge is not subject to paying income taxes, regardless of the amount of income, except for unrelated business income, which is discussed below. There are circumstances when an “informational tax return” must be submitted.

If the “gross receipts for the current year, when averaged with the gross receipts for the two previous years, are equal to or exceed ***\$50,000 (as of 2018)** an informational return is required. Gross receipts include all funds received, regardless of the source, and without consideration of any expenses, any distribution of funds or loss of value of investments. Dues, interest, dividends, bequests, and contributions, including contributions from other Lodges and Appendant Bodies for maintenance of the building are examples. **note this amount will increase over the next few years.*

Do Not Throw Away Your Tax-Exempt Status:

Beginning in 2008, small tax-exempt organizations will have a new filing requirement. It is short, easy and electronic – it is the new e-Postcard.

If you are a tax-exempt organization that normally has annual gross receipts of ***\$50,000 (as of 2018)** or less (as of 2018) and does not have to file Form 990 or 990-EZ, you must file the e-Postcard. The e-Postcard is due by the 15th day of the fifth month after the close of your tax year. Therefore, if your organization operates on a calendar year, the e-Postcard is due by May 15 of the following year. What happens if you do not file? You risk losing your tax-exempt status! **note this amount may increase over the next few years.*

If you think this new filing requirement may apply to your organization, go to www.irs.gov/eo for complete details and while you are there sign up for Exempt Organization’s free email newsletter, EO Update, to receive up-to-date information posted on the charity pages of irs.gov.

Filing Penalties and Revocation of tax-Exempt Status:

If a Form 990 or Form 990-EZ is not filed, the IRS may assess penalties on the Lodge of \$20 per day until it is filed. This penalty also applies when the filer fails to include required information or to show correct information. The penalty for failure to file a return or a complete return may not exceed the lesser of \$10,000 or 5% of the organization’s gross receipts. The IRS may also impose penalties on Lodge Officers who do not comply with a written demand that the information be filed.

Section 6033(j) of the Internal Revenue Code provides that failure to file Form 990, Form 990-EZ, or Form 990-N for 3 consecutive years results in the revocation of tax-exempt status as of the filing date for the third return. An organization whose exemption is revoked under this section must apply for reinstatement by filing Form 1023 and paying a user fee, whether or not the organization was originally required to file for exemption.

Unrelated Business Tax:

If a Lodge receives income from activities not related to its tax-exempt activities, the Lodge becomes subject to Unrelated Business Income Tax (UBIT). The activity may also subject the Lodge to other types of taxes such as sales taxes and/or license fees. When there is unrelated business income identified on the tax return, income taxes must be paid. If a Lodge has UBIT, it is recommended that a CPA be contacted for assistance.

Real Property Taxes:

Florida Statutes exempt Fraternal Organizations (those approved under IRS section 501(c)(10)) from real property taxes. Property must be titled to the Lodge and use the IRS approved Employer Identification

Number in order to be eligible for this exemption. The various County Assessors address the provisions of the Florida Revised Statute that apply to this exemption and these differences are not addressed in this Handbook. It is important to note that the real property tax exemption does not apply to special assessments applicable to the county or city in which the Lodge is located.

An occasional fundraiser such as a dinner or garage sale where the public may participate does not void this exemption. Should the fundraising activity become routine, the real property tax exemption may be in jeopardy and local government may require the Lodge to obtain a business license and the Lodge may also become liable for local option taxes.

If a portion of the real property is leased or rented to a non-exempt enterprise, the real property taxes assessed may be a proportional rate or the exemption may be denied. Permitting others to use the facility and making contributions to the Lodge may be considered an act to circumvent the provisions of the exemption and is discouraged.

The real property tax exemption in some counties must be applied for annually. Others require no action unless status has changed. Failure to apply each year may result in loss of the exemption for the tax year in question and a completely new application may be required to reinstate the exemption. Check with your local Tax Collector.

If real property is owned, it is highly recommended that a member of the Lodge become acquainted with the personnel in the Exemption Section of the County Assessor's Office. It then becomes easier to apply for the exemption and address problems when they arise.

Business and Personal Property Taxes:

Personal property taxes are assessed against personal property such as furniture, computers, office supplies, and other equipment or supplies not attached to a building. Assessed tax is based on depreciated value of the items, using the original cost as the basis for depreciation. As with real property taxes, most Lodges are exempt from these taxes.

It is highly recommended that each Lodge maintain a "Personal Property Record File" that contains a record of all equipment, furniture, etc., owned by the Lodge. This record should include the date purchased or placed in service, the cost, and the date removed from service, when applicable. New equipment, furniture or supplies should be added to the list each year. A copy of the previously submitted reports should be included with the file for reference.

Sales Tax:

Florida State Sales Taxes Frequently Asked Questions

Q. When do I begin reporting sales and use tax to the Florida Department of Revenue?

A. When you need to start reporting your sales and use tax depends on which filing frequency your account is set up for. When a business first registers with the Department, we usually set the account up to file and pay tax every quarter. The due date of your first quarterly return is based on the date you said that your business first opened on your *Florida Business Tax Application* (Form DR-1). Your first quarterly return is due on the 1st day of the month following the quarter you first opened your business. If your tax is not paid by the 20th of that month, it is late. You can find more information in the section, "Filing Returns and Paying Tax" at www.myflorida.com/dor.

Q. Do I have to file a return even if I don't owe any tax?

A. Yes. Florida law requires a tax return to be filed for each collection period, even if no tax is due for that period. If you owe no tax, penalty, or interest and if you are not claiming any deductions or credits, you may telefile by calling 800-550-6713. See the section, "Filing Even if No Tax Is Due" at www.myflorida.com/dor.

Q. What will happen if I don't complete the back of the return?

A. If you don't complete the back of your sales and use tax return, you may be subject to penalties for filing an incorrect or incomplete return. You should report discretionary sales surtax (county tax) that you collect on the back of your return. The Department distributes tax money back to counties based on collections reported and paid by sales and use tax dealers as well as the specific information that the dealers reported on the back of their returns. If the back of your return is incomplete or incorrect, this can negatively impact the amount of tax money distributed back to your county.

Q. What is the penalty for filing and/or paying my tax late?

A. A taxpayer who files a late return or is late in paying their tax due will be assessed a late penalty of 10 percent of the amount of tax owed, but no less than \$50. The \$50 minimum penalty applies even if a "zero tax due" return is due. Penalty will also be assessed if the return or payment is submitted on time but is incomplete.

Interest is also due on late payments. Interest is charged at a floating rate that is calculated using a formula set by Florida Statutes. Interest is assessed on the unpaid tax from the date tax is due until the date it is paid. For more information, see the section, "Filing Late (paying penalty and interest)" at www.myflorida.com/dor.

Collection allowance – Dealers only receive a collection allowance if they e-file and e-pay timely. The collection allowance is 2.5% (.025) of the first \$1,200 of the tax due, not to exceed \$30. Taxpayers who e-file and e-pay may donate their collection allowance to the Educational Enhancement Trust Fund. A box is provided on the electronic sales and use tax return to indicate they wish to donate their collection allowance. For more information, see Tax Information Publication (TIP) #12A01-03 at www.myflorida.com/dor.

Collection period – The calendar month or months that must be reported on a particular tax return.

Discretionary Sales Surtax – This is a county tax imposed by most Florida counties and applies to most transactions subject to sales tax. The selling dealer must collect the surtax in addition to Florida's general sales tax of 6 percent. A few counties do not impose a surtax. The Department distributes the sales surtax collected back to the counties that levy the surtax. Counties use these funds to help pay for local authorized projects.

E-file – Filing your taxes electronically using the Department's secure website or by using software purchased from a Department-approved vendor. A list of approved vendors is posted on the State of Florida website.

E-pay – Paying your taxes electronically using the Department's secure website or by using software purchased from a Department-approved vendor. A list of approved vendors is posted on the State of Florida website. Electronic payments must be made at least one business day before each payment is due. We provide a calendar of due dates on our website (Form DR-659).

Registered sales and use tax dealer or business – A business that has registered with the Florida Department of Revenue to collect and report sales and use taxes.

- Charges for admission to any place of amusement, sport, or recreation.
- Operating private membership clubs that provide recreational or physical fitness facilities.
- Manufacturing or producing goods for sale at retail.
- Importing goods from any state or foreign country, for sale at retail or for use in the business.

- Selling service warranty contracts.
- Ordering and using, on a regular basis, mail-order products on which no sales tax was charged.
- Operating vending or amusement machines.
- Providing taxable services (for example, investigative and crime protection services, interior nonresidential cleaning services, and nonresidential pest control services).

If you don't know if your business must register to collect sales tax, contact Taxpayer Services.

Who Is Exempt?

Federal, state, county, and city governments; and nonprofit organizations, such as religious, charitable, scientific, educational, or veteran organizations (as defined in section 212.08, Florida Statutes) do not have to **pay sales tax** on certain purchases. If you believe your organization qualifies for an exemption, you must submit an *Application for Consumer's Certificate of Exemption* (Form DR-5). You can get this form from the State of Florida Internet site at www.myflorida.com/dor. The federal government is exempt from collecting sales tax. In addition, qualified religious institutions do not collect and pay sales tax on the sale or lease of tangible personal property.

How Do I Register to Collect Sales Tax?

You can register to collect and/or report tax through our Internet site; go to www.myflorida.com/dor. The site will guide you through an application interview that will help you determine your tax obligations. If you do not have Internet access, you can fill out a paper *Application to collect and/or Report Tax in Florida* (Form DR-1). After we approve your registration, you will be sent a *Certificate of Registration* (Form DR-11), an *Annual Resale Certificate* (Form DR-13), and your tax return forms. The *Annual Resale Certificate* is used for tax-exempt purchases or rentals of property or services you intend to resell or rent as part of your business. If the goods bought for resale are later used (not resold), you must report and pay use tax and surtax on those items, plus any applicable penalties and interest. There are liabilities for intentional misuse of an annual resale certificate.

How Is Tax Calculated?

Sales tax is calculated at the time of each transaction. When sales transactions are between whole dollar amounts, use the bracket system to calculate tax due when any part of each total sale is less than a whole dollar amount. The tax collected must be calculated on the total amount of the sale. The sales tax and discretionary sales surtax must be separately shown on each invoice or other evidence of the sales transaction. Taxpayers must pay the actual tax collected, which in many cases is more than a straight percentage of the sales or untaxed purchases. You can get a *Sales Tax Rate Table* (Form DR-2X) and individual bracket cards from the State of Florida Internet site at www.myflorida.com/dor.

When Is Tax Due?

Returns and payments are due on the first and late after the 20th day of the month following the date of sale. For example, if a sale takes place on the first of one month, then tax is not due until the first of the next month. **For more information, visit the Internet site at www.myflorida.com/dor**

Q. Where do I get my sales and use tax returns?

A. As soon as your sales and use tax account number is assigned, you will be mailed returns unless you enrolled to e-file and e-pay. Your coupon book is personalized and should arrive by mail approximately one month after you register. If you have not received your book by then, contact Taxpayer Services or your nearest service center.

Q. May I file my return and pay tax electronically?

A. You can file returns and pay your taxes by using the free and secure Internet site or, you may purchase software from an approved vendor. A list of approved vendors is listed on www.myflorida.com/dor.

Section Twelve - Employer Identification Number (EIN)

Each Lodge and the Grand Lodge are tax-exempt organizations approved by the Internal Revenue Service under IRS Rule, Section 501(c)(10), and Fraternal Organization. Each has its own nine digit Employer Identification Number assigned by the Internal Revenue Service. The number is available from the Grand Secretary.

All Lodges within Florida are presently assigned to a “group” according to IRS rules and the Grand Lodge is the “parent” of the group. All members of the group must be approved under the same section of the IRS rules. The Grand Lodge must certify and report additions, deletions, and address changes to the IRS each year and identify those Lodges that are required to submit informational tax returns.

The Lodge EIN may be provided to organizations and individuals who make charitable contributions to the Lodge for education, relief, and other charitable activities. The EIN is used when required for identification of the Lodge in financial transactions, tax reporting, and other purposes.

Section Thirteen - Maintenance of Financial Records

The Internal Revenue Service recommends retention of records for a minimum of three years after the filing due date of Form 990; however, it is recommended that financial records be maintained for a period of five years. Records may be used for several reasons, the most important being for audit and preparation of informational tax returns, when required.

Records pertaining to items expected to be used for more than a year (computers, printers, copiers, telephones, etc.) and permanent assets (buildings and real property) should contain all information pertaining to such assets and be maintained for the life of the asset plus the recommended five years.

Records should be maintained in folders, neatly arranged, documents in chronological order and readable. The following are suggestions for maintaining records:

Financial Records:

Maintain a separate folder for each account and file periodic reports received within each folder:

1. Reconcile bank statements and investment account statements upon receipt. Reconciliation reports should be filed with the respective statement indicating any differences and the date the reconciliation was completed. Include all pertinent information for calculation of the reconciliation.
2. Whenever possible, use printouts from a computer to reflect the activities of the account during the month and if available, attach the activities listing to the monthly statement.
3. Keep check stubs and cancelled checks with the annual records to facilitate audit or research activities.
4. Keep copies of records of receipts, warrants, cash receipts, and other records of transactions to permit ease in locating records when performing research or audit.
5. Keep copies of paid invoices and bills.

Recurring Reports:

Establish a file for recurring reports to regulatory agencies or other activities (a folder for the annual reports to Grand Lodge, applications for exemption from real property taxes, etc.)

Permanent Records:

Keep permanent documents in a folder where they can be found. The assigning of the EIN or the Letter of Determination from the IRS designating the Lodge as tax exempt are good examples of permanent records. In addition, titles to real and personal property should be kept in a permanent file.

Other Records:

When contacting others for information, guidance, or actions to be taken, etc., make a note of the date, time, office, telephone number, etc., and keep it with the document or file or use a separate log or spiral notebook to record the information.

Both the Lodge Secretary and the Lodge Treasurer maintain records, and the records should be available for cross-reference and verification during audits. This cross-reference will assist in ensuring the accuracy of activity reporting, serve as verification that both are properly performing their assigned responsibilities and assure that funds are accounted for properly.

Section Fourteen – Annual Financial Report

Every Lodge must submit an annual report to the Grand Lodge in accordance with **Constitutional Provisions referred to in Chapter 14**. The Grand Secretary provides instructions for this report to each Lodge.

Section Fifteen - Audit

An audit is a task performed to verify that the financial activities have been properly conducted, that all transactions have been properly recorded, that funds are being handled in a proper manner and that all assets are secure. It is one of the most important activities concerning the proper financial management of the Lodge. Auditing must not be taken lightly and an audit report should never be signed or submitted unless the audit was properly completed. When an audit report is signed, the signer is assuming responsibility for the accuracy of the report.

Audits are performed for a variety of reasons and traditionally there are three levels of audits conducted by accounting firms. Audits conducted by accounting firms are not discussed here because they may be expensive, normally beyond Lodge capability, and not necessary to accomplish the results desired in the annual audit of Lodge financial records.

When an audit is desired, the first step is to determine the reason for the audit and establish procedures to achieve the desired results. What is the objective? What are we trying to find or prove? What records do we need to have available that will provide the necessary information? What procedures should be used? The audit discussed herein is one that could be conducted by members of the Lodge who have experience in such activities or knowledge and experience to be able to learn and perform the audit.

Pay particular attention to transactions between investment accounts. Randomly select any number of transactions and verify they were properly handled. It may not be necessary to check every transaction during the year, but if the random selection process indicates a potential problem, expand the audit to become more thorough. In some cases, it may be appropriate to audit all records to achieve the desired result.

Attachment 15-1 and 15-2 provides the guidance and a checklist to be used in the conduct of the annual audit of Lodge financial records

Section Sixteen - Understanding Accounting

Dual entry accounting is a system used to record the financial transactions of an organization and is different than cash accounting. The accepted way to record financial transactions is the use of an accounting system that is not easily understood by many. The following is an attempt to explain the difference between the two to assist the novice in understanding accounting and being able to properly record the financial transactions of a Lodge.

In cash accounting, the income or receipts are recorded in a cash account and treated as income. When payments are made, the cash account is reduced and an expense recorded. Oftentimes purchases are made for items that become permanent assets, but the purchase is recorded as an expense.

Dual entry accounting provides for recording transactions in a manner that insures proper recording of transactions and requires “balanced” entries. This simply means that when a transaction is entered that affects one column (debits or credits), the other column must reflect the same amount in its transaction entry.

Using the sample financial statements in Attachment 15-1 to track transactions, you can see that:

- a. A check is received and placed into the bank, the cash account is increased and either the revenue or income account is also increased.
- b. A check is written, the cash account is decreased and the expense account is also increased.
- c. When a check is written or cash is transferred from an asset account, that account value is reduced and when the cash is deposited into another asset account, that account is increased.
- d. A check is written to make a payment on an existing loan or mortgage, the cash account balance is reduced and the amount owed on the mortgage (a liability account) is also reduced.

An aid to understand specific types of accounting entries is in Attachment 16-1.

Section Seventeen - Chart of Accounts

The Chart of Accounts for use by all Lodges is in Attachment 17-1. It is somewhat large because it is intended to include virtually every account that may be used by any Lodge. This Chart of Accounts provides a standardized listing for all Lodges and provides guidance in selecting the most appropriate category or account to record Lodge financial transactions. The Lodge Treasurer should review the Chart of Accounts for accounts that are not used by the Lodge and may remove them. Electronic version of the accounts can be found on the Secretaries How To Guide CD.

The Chart was prepared using Quick Books and a copy is available on disk accompanied with instructions on installing it into a computer. Other programs may be used for Lodge accounting, but the chart of accounts suggested was created to standardize reporting. Numbers have been assigned to all accounts

Should a Lodge desire to add an account, it should be placed within the Chart of Accounts in the same category with other accounts for the same purpose, e.g., a new checking account should be placed in the Lodge Cash Accounts with a new number in sequence. If an account exists within the Chart of Accounts, it should be used to insure standardized reporting.

Subaccounts are those accounts within a category whose values are added to the category total to achieve the totals for that category. Subaccounts have been added within the Chart of Accounts to assist understanding the type of accounts within a group. It is permissible for a Lodge to change the name of a subcategory, but once a subcategory has been used, even though it may have been in a previous year, it should not be changed.

The names of subaccounts may be changed where desired to identify a specific account, e.g. “Checking Account Number One” could be changed to “Bank One Checking Account”. Names for accounts that accumulate totals for subordinate accounts must not be changed.

A Lodge may choose to use only the categories that will record their activities. Unless sufficient activity is to be recorded in a subcategory, there is no recommendation to use one except to be able to report the detail required in the annual financial statements. Only those accounts used by a Lodge should appear in their financial documents.

Some transactions may not fit an established account. Accounts such as “Other Lodge Assets”, “Other Lodge Current Liabilities”, “Other Building Receipts”, “Other Investment Income”, and “Miscellaneous Admin Expenses” have been established and should be used to record these type transactions. Entries in these accounts should be reviewed periodically to determine the desirability for establishing new subaccounts.

Accounts are provided for reporting activity related to the ownership of a building. There is no prohibition to the maintenance of a separate set of records for building activity, but the activity must be included in annual financial reports and used to determine the necessity for submission of annual tax returns to the Internal Revenue Service.

Some accounts may appear more than once in the Chart of Accounts because there is more than one way to report some transactions. For example, it is permissible to enter funds collected for another activity to be entered as a liability and the liability eliminated when the funds are forwarded to the designated activity; or the funds could be entered as an income and then, again entered as an expense when the funds are forwarded. Other examples would be the collection of Per Capita fees, contributions to various charities that must be paid to the Grand Lodge, and Degree fees. Some of these alternatives are discussed with specific account descriptions.

Whenever possible, it is recommended that notes or memos be made for each entry. These notes or memos will aid when reviewing transactions to establish budgets, balance accounts and understand the reason for the transaction.

The Grand Treasurer may be contacted for assistance in understanding, applying and using the Chart of Accounts.

ASSETS:

Any physical object (tangible) or right (intangible) that has a money value is an Asset.

Cash Assets:

Those accounts with monies readily available for use, such as checking accounts, money market accounts and petty cash accounts are cash accounts. **Account numbers assigned by a financial institution such as a bank should not be recorded as part of the identity of such an account** because they provide information that could be used by unauthorized individuals.

Buildings:

The value of physical assets reflected in the Assets portion of the Balance Sheet should reflect the original cost, including taxes, transportation and installation, plus any modifications or upgrade made to the asset after initial purchase. When an asset is sold, the “gain on sale” is determined by subtracting the original cost of the asset, the cost of all modifications and upgrades, the cost of preparing the asset for sale and the selling costs from the purchase price. ***The assessed value assigned by a County Assessor for tax purposes should not be reflected in the financial documents.*** This is because when an asset is sold, the assessed value cannot be used to determine “gain on sale” of the property.

Resale Items or Inventory:

Items purchased for resale to members and others may be:

- a. Expensed at the time of purchase and the sale entered as income at the time of sale, or
- b. Recorded as inventory in an asset account when purchased. The asset account is reduced by the sale price at the time of sale, recording the difference between the purchase price and the sale price as income from the sale in an income account, or,
- c. The inventory account could be increased with each purchase and decreased by each sale. At the end of the year, conduct an inventory of the remaining items and the difference between the beginnings and ending values would be considered income or loss. In this case, adjusting entries would be required in the asset account and an income or expense account.

Unrestricted funds (1001) are those that have no restriction on their use.

Temporarily Restricted Funds (1005) are those that are restricted for a specific use or purpose and when that use or purpose has been satisfied, the funds are expended. These are such as funds for construction of a building, specific modification to an asset, etc.

Permanently Restricted Funds (1006) are those that are restricted for a specific use or purpose and limitations placed that will insure the funds are never depleted. An example would be an endowment on a building or the Life Funds of a Lodge where only the income may be used.

Life Membership Fund (10061) is a permanently restricted fund and reflects the Lodge balance in that fund. See Section Six, Life Memberships, for a more complete explanation of transactions involving the Life Membership Fund.

Value of Resale & Inventory Items (1400), Furniture Assets (1550), Personal Property Assets (1560), and Other Lodge Assets (1900) must be recorded. This information will also be valuable when preparing an annual Personal Property Report for the County Assessor if required.

LIABILITIES:

Liabilities are debts owed to outsiders (creditors). Liabilities that are due in a short time (usually one year or less) are current liabilities. Liabilities that are not due for a comparatively long time (usually more than a year) are long-term liabilities such as mortgages.

Grand Lodge Liabilities:

Accounts are provided to permit recording as a liability those monies required to be collected and forwarded to the Grand Lodge and are not considered income to the Lodge. Use of these accounts would be desired to insure the total gross receipts do not require submission of annual tax returns.

Prepaid Member Purchases:

Accounts are provided to record receipt of funds from a member for purchase of an item when the item has not been received. See examples of accounting entries at Attachment 6-1.

Program Liabilities:

Accounts have been established to reflect monies collected for certain programs such as youth, scholarship, relief, building, etc. These accounts would be used when separate asset accounts are not used. For example, if funds are collected for educational scholarships but it is not prudent to establish a cash account for the activity, this liability would be used to reflect a liability for the scholarships. See examples of accounting entries.

Payroll Liabilities:

These accounts are included to provide ease in tracking, paying and reporting those liabilities related to payroll activities. Few Lodges will have need for these accounts. (Quick Books will not permit deletion of these accounts even though they may not be needed or used).

EQUITY OR NET WORTH:

Equity or Net Worth Prior reflects the Lodge right or claim to the property of the Lodge.

Net Worth:

The “Net Worth-Prior” (3900) account may only be changed when closing a prior year. At that time, the “Net Income” should be added to the “Net Worth-Prior” (3900) account thereby providing a new “Net Worth-Prior” (3900) balance for the beginning of the current accounting year.

REVENUES OR INCOME:

Revenue or Income is the gross increase in capital or equity attributable to business activities. The total of this category is used in conjunction with the total of this category for the two prior years to determine the requirement for an informational tax return to the IRS.

Building Income (4200) records income from various sources for use of the Lodge building. Building Maintenance Contributions Received (4210) is used to reflect contributions received from Appendant Bodies for upkeep of the facility and is not considered “rent”. Building Rent Received (4220) is for recording receipt of rent from commercial businesses. County and/or local taxes may be assessed for such income. Other Building Receipts (4240) is used to record contributions or other receipts that do not fit the definition of Building Maintenance Contributions Received (4210) or Building Rent Received (4220).

Note: “Rent” may be taxable as Unrelated Business Income if the building is commercially rented.

Fundraising:

When a fundraising activity is conducted, the income may be entered in an income account for the activity and the expenses may be entered in an expense account for the activity. The difference between these two would be the net income or loss for the activity for future reference or:

The income could be entered as income for the event and the expenses could be entered as negative income for the event and the result would be the net income from the event. In this case, if the expenses exceed the income, the Income Statement will reflect negative income for that account.

or

The expenses could be entered as an expense for the event and the income entered as a reduction of the expense for the event and the result would be the net income from the event. In this case, if the income exceeds the expenses, the Income Statement will reflect negative expenses.

See sample accounting entries at Attachment 14-2 for further guidance.

EXPENSES:

Costs that have been consumed in the process of producing revenue or conducting activities are expired costs or expenses.

Grand Lodge Expense (5000) accounts are used to record expenses to attend Grand Lodge functions and conduct programs directed by the Grand Lodge. These accounts provide a source for the analysis of expenses incurred within each account by the Lodge and provide for the Grand Lodge to analyze each account collectively.

Lodge Expense (5100) accounts are used to record expenses of the Lodge in the conduct of activities not directed by Grand Lodge. Subaccounts may be added to the categories in this area at the discretion of each Lodge. For instance, when a Lodge participates in the Child ID program, it may add an account such as “Child ID” (510122).

Under “Building Expenses” (5300), “Building Insurance Expenses” (5306) has been added to permit the building portion of the annual insurance premium to be recorded as a building expense if so desired, or it may be recorded in “Insurance Expenses” (7007) with the remainder of the annual insurance premium.

**Attachment 6-1
Life Membership Fund
Accounting Transaction Entries**

	Debit	Credit
1. Lodge receives check from member and deposits into checking		
Increase value of checking account (10011)	\$\$\$\$	
Record income as Life Membership purchase (4310)		\$\$\$\$
2. Lodge sends Lodge check to Grand Lodge to purchase Perpetual		
Reduce value of Checking Account (10011)	\$\$\$\$	
Increase value of Perpetual Membership Fund (10061)		\$\$\$\$
3. Grand Lodge notifies Lodge of yearend values		
Increase value of Perpetual Membership (10061)	\$\$\$\$	
Enter Income for year as Perpetual Membership Fund Income (4320)		\$\$\$\$
Insure yearend value of Perpetual Membership Fund agrees with value of Perpetual Membership Fund (10061) on Balance Sheet		

Attachment 7-1
Perpetual Lodge Investment Fund
Accounting Transaction Entries

Debit Credit

1. Grand Lodge notifies Lodge of distribution available

Attachment 9-1
Sample Investment Policy Statement

The Masonic Lodge

All gifts which donors designate as being intended for the Lodge shall be deposited into the Lodge charity fund. In addition, the Lodge may designate other funds to be added to the Lodge charity fund from unrestricted gifts or other sources as the Lodge deems appropriate from time to time. The purpose of the investments is to further the efforts of the Masonic Lodge, which is consistent with the philosophy of The Most Worshipful Grand Lodge of Free and Accepted Masons of Florida.

Acceptable investment alternatives:

- Guaranteed investment contracts
- Investments in Registered Investment Companies
- Domestic stocks
- International stocks
- Domestic bonds
- Foreign bonds
- American Depository Receipts
- Mutual Funds
- Real estate investment trusts (REIT)
- US government securities or government insured securities
- Other investments specifically approved by the Lodge

The following are **NOT** acceptable investment alternatives without prior approval from the Lodge:

- Direct investment in real estate
- Derivatives
- Commodity futures
- Margin investments
- Limited partnerships
- Any investment that cannot be liquidated in twenty days
- Investments in closely related enterprises or business ventures
- Common stock that is restricted or of non-public companies
- Tax exempt bonds

Attachment 9-1 (continued)
Sample Investment Policy Statement

Equity Segment—U.S. and International

The purpose of equities is to provide principal appreciation that exceeds inflation. It is recognized that equity investments carry greater risk and volatility than other asset classes. The equity segment of the Fund will consist of both U.S. and International equities.

The investment objective for the equity portion is to out-perform its appropriate benchmark net of fees. Performance will be measured against a composite index.

Equity managers may hold investment reserves of either cash equivalents or bonds (including convertible issues) without limitation in assets or time but with the understanding that their performance will be measured against stock indices as described above.

The equity portion of the Fund shall be diversified among the major equity management styles as well as appropriate subgroups. These would include value (price driven), growth, market oriented, and small capitalization.

The portion of Fund assets committed to international equity investments should be further diversified by country and industry, and issues should be sufficient to moderate risk. Active, rather than passive, management style will be utilized to provide the ability to decrease exposure to any country whose market may be perceived as excessively risky or over valued.

Fixed Income Segment

The purpose of fixed income is to provide a stable component of return, a safety net against the volatility of equities, and a predictable stream of income. Investments in corporate bonds shall be primarily in securities rated as “investment grade quality” by Moody’s or Standard and Poor’s.

Adequate diversification by issuer and sector should be maintained. The weighted average of diversified bonds should not exceed 10 years and short-bonds 3 years.

Performance will be measured against composite indexes.

Real Estate Segment

The purpose of real estate is to provide principal appreciation that exceeds inflation, and to provide diversification against the volatility of equity returns. It is recognized that real estate investments carry greater risk and volatility than fixed income investments.

The portion of Fund assets committed to real estate equity investments may include co-mingled real estate funds managed by a bank, insurance company, brokerage or other professional real estate manager. Real estate investments shall primarily be high quality, income producing (e.g., office, retail and industrial properties). It can also include mortgage contracts provided there is an equity-to-debt ratio of at least 60% or greater. It is expected that real estate investments shall obtain broad diversification by property type, geographic location, size and other relevant factors.

Attachment 9-1 (continued)
Sample Investment Policy Statement

Allocation Guideline

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Benchmark</u>
U.S. Large Growth Companies (S&P 500)	15%-25%	Russell 1000 Growth Index
U.S. Large Value Companies (S&P 500)	15%-25%	Russell 1000 Value Index
U.S. Medium & Small Growth Companies	0%-10%	Russell 2000 Growth Index
U.S. Medium & Small Value Companies	0%-10%	Russell 2000 Value Index
International Large Companies	0%-5%	MSCI EAFE Index
Fixed Income	35%-45%	Lehman Bros Intermed Corp/Gov

Cash will be held in a money market fund pending investment.

It is understood that, due to fluctuations in prices, deposits and withdrawals, and receipt of dividend and interest income, the values of the various asset classes will vary. The allocations will be continuously monitored and, periodically (at least annually), assets will be re-allocated to assure that each asset class remains within the acceptable range targeted. The Lodge may revise these allocation targets from time to time as circumstances dictate.

Performance Monitoring

All guidelines and objectives shall be in force until modified in writing by the Lodge. If, at any time, an investment manager or advisor believes that a specific guideline or restriction is adversely impeding his ability to meet a performance objective, the manager or advisor should present this belief to the committee/Lodge together with justification for an exception to the Investment Policy Statement & Guidelines.

An investment manager or advisor is required to inform the Lodge of any material change in firm ownership, organizational structure, professional personnel or fundamental investment philosophy.

Periodically, the committee/Lodge and the outside investment advisors will review the portfolio's performance against investment objectives, appropriate indices, and peer investment managers and funds. Short term performances will be monitored on a continual basis, but results in terms of the Fund's objectives will be measured on a longer term basis (three to five years). A review meeting will be held, at minimum, annually by personal consultation or when deemed necessary.

Fiduciary Standards

The Lodge, and those acting on its behalf, shall exercise the judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence would observe. In carrying out its investment policy, the Lodge shall in all respects comply with the Internal Revenue Code. Each member of the committee will avoid any self-dealing act and will serve in the best interests of the Masonic Lodge.

Each committee member will become familiar with the fiduciary rules and regulations governing his responsibilities with respect to the Masonic Lodge.

Attachment 14-1

Lodge Number _____, F&AM
 Balance Sheet Reporting Format
 As of _____, 20__

Assets

1001	Lodge Cash Accounts	_____		
1002	Lodge Cash Accounts	_____		
1003	Building Cash Accounts	_____		
1005	Temporarily Restricted Accounts	_____		
1006	Permanently Restricted Accounts	_____		
1101	Lodge Investment Accounts	_____		
	Total Cash/Investment Assets		_____	+
1400	Resale & Inventory Items	_____		
1500	Building & Fixtures	_____		
1550	Furniture Assets	_____		
1560	Personal Property Assets	_____		
1700	Mortgages & Loans	_____		
1900	Other Lodge Assets	_____		
	Total Other Assets		_____	+
	Total Assets		=====	= (1)

Liabilities and Equity

Liabilities

2000	Grand Lodge Liabilities	_____		
2300	Loans Outstanding	_____		
2400	Program Liabilities	_____		
2500	Building Liabilities	_____		
2600	Prepaid Member Purchases	_____		
2700	Payroll Liabilities	_____		
2800	Other Current Lodge Liabilities	_____		
2900	Mortgage Liabilities	_____		
	Total Liabilities		_____	+

Equity

3900	Net Worth Prior	_____		
	Net Income/(Loss)	_____		
	Total Equity		_____	+
	Total Liabilities and Equity		=====	= (1)

(1) Note: “Total Assets” should equal “Total Liabilities and Equity”

Attachment 14-2

Lodge Number _____, F&AM
 Revenue and Expense Reporting Format
 _____, 20__ through _____, 20__

Revenues

4001	Dues and Assessments Received	_____		
4002	Building Income	_____		
4003	Life Membership Fund Income	_____		
4004	Investment Income	_____		
4005	Contributions Received	_____		
4006	Lodge Activity Income	_____		
4008	Sales Receipts	_____		
4009	Other Lodge Income	_____		
	Total Revenues		_____	+

Expenses

5000	Grand Lodge Expenses			
5001	Per Capita Expenses	_____		
5002	Grand Lodge Program Expenses	_____		
5003	Grand Lodge Function Expenses	_____		
	Total Grand Lodge Expenses		_____	+
5100	Lodge Expenses			
5101	Lodge Activities Expenses	_____		
5102	Contribution Expenses	_____		
5104	Fundraising Expenses	_____		
5106	Purchases for Resale	_____		
	Total Lodge Expenses		_____	+
	Other Lodge Expenses			
5300	Building Expenses	_____		
6000	Payroll Expenses	_____		
6050	Payroll Taxes	_____		
7000	Administrative Expenses	_____		
	Total Other Expenses		_____	+
	Total Expenses		_____	= -
	Net Income/(Loss)		=====	=

Attachment 15-1 Annual Audit Procedure

This section specifically addresses procedures to be used in conducting the annual audit of Lodge financial records.

Documents Required:

The following documents are suggested as a minimum; others may be appropriate depending upon the financial activity of the organization:

1. Statements for all bank and investment accounts for each month of the year, including any summary annual statements.
2. All cancelled checks, if they were returned to the organization.
3. All paid invoices, bills, etc.
4. Lodge Secretary's warrants, whichever warrant system was used.
5. Copies of receipts issued by the Secretary for cash received.
6. Copies of financial account summaries for the entire year.
7. Copy of the year-end Balance Sheet and Income Statement for the current and previous years.
8. All "Petty Cash" account records to include the ledger or record and the cash on hand in the account.
9. Documents pertaining to obligations to the Lodge such as mortgages, loans, etc.
10. Documents pertaining to obligations owed by the Lodge such as mortgages, loans, etc.
11. Records reflecting payment of dues by members.
12. List of members on the rolls as of the end of the year.

Step by Step Procedures:

The following procedures are recommended and may be altered as desired as long as the end result is a valid, complete audit.

1. Start by verifying that the balance in every bank and investment account listed on the Balance Sheet equals the balance reflected on the final annual statement from the banking or investment institution. Insure the beginning balance in January agrees with the beginning balance for the year being audited.
2. Beginning with the checking account, start with the January (or first month of the fiscal year) statement and trace through every transaction on the statement with the checkbook and cancelled checks. Verify amounts between checks and copies of paid receipts/bills.
3. Follow through to see the paid bills and deposits into other accounts agree. This also applies to reimbursement of any Petty Cash accounts.
4. Use the Secretary's warrants to verify amounts and transactions.
5. Verify that the Warrants issued by the Secretary match the actions approved by the members of the Lodge and recorded in the Treasurer's books.
6. Using the membership list, verify that annual dues payments were received (when applicable) and properly deposited, except for those members identified as not having paid required dues.
7. Perform the same check as in 2 above on all investment and other banking accounts.
8. Verify that the annual income of an account, reported on the final statement for the year, is correctly reflected on the Income Statement as Income.
9. Using the Petty Cash records, verify that disbursements to petty cash and from petty cash are properly documented in the Petty Cash records. Verify that the beginning and ending year balances are properly reflected in the Balance Sheet.

**Attachment 15-2
Audit Certification Form**

_____ Lodge Number _____
Certification of Audit of Annual Financial Reports
_____, 20__ through _____, 20__

To the Members of _____ Lodge No. _____ na:

I certify that the attached Balance Sheet and Income Statement are a full and correct return of all financial matters required by the Lodge to be reported annually.

Given under by hand and seal of _____ Lodge Number _____

This ____ day of _____, 20__

LODGE
SEAL

_____ Worshipful Master

_____ Treasurer

_____ Secretary

We, the Auditing Committee, certify that we have carefully audited the records of the Lodge, including those of the Treasurer and Secretary, in accordance with the audit procedures contained in the Lodge Financial Management Handbook and find the attached Balance Sheet and Income Statement correct in every respect.

(Auditor)

(Auditor)

(Auditor)

(Auditor)

Attachment 16-1 Accounting 101

This section provides general information on accounting entries. It is not comprehensive, but rather is designed to give general information on various types of accounting entries.

ASSETS

Debit	Increase or add to the value of an asset	(Normal value)
Credit	Decrease or subtract from the value of an asset	

LIABILITIES

Debit	Decrease or subtract from a liability	
Credit	Increase or add to a liability	(Normal value)

EQUITY

Debit	Decrease or subtract from equity	
Credit	Increase or add to equity	(Normal value)

REVENUE

Debit	Decrease or subtract from revenue	
Credit	Increase or add to Revenue	(Normal value)

EXPENSE

Debit	Increase or add to expense	(Normal value)
Credit	Decrease or subtract from expense	

TYPICAL TRANSACTIONS

Dues received	Debit to Cash, Credit to Revenue
Interest received	Debit to Cash, Credit to Revenue
Expenses paid	Debit to Expense, Credit to Cash
Increase in investments	Debit to investment, Credit to Revenue
Depreciation on Building	Debit to Expense, Credit to Accumulated Depreciation
Loan payment	Debit to Note payable or Mortgage, Credit to Cash
Year-end close out	If Revenue exceeds Expenses, Credit to Equity If Expenses exceed Revenue, Debit to Equity

Attachment 17-1
Standardized Chart of Accounts

ASSETS

Asset Accounts (Cash/Investments)

- 1000 Assets
 - 1001 Lodge Cash Assets
 - 10010 Lodge Cash Accounts
 - 10011 Checking Account Number 1
 - 10012 Lodge Money Market Account
 - 10013 Lodge Education Account
 - 10014 Lodge Petty Cash Account
 - 1002 Lodge Investments
 - 10020 Pooled Lodge Investments
 - 10021 Invest Account Cost of Purchase
 - 10022 Invest Account Unreal Gain/(Loss)
 - 1003 Building Cash Assets
 - 10030 Building Cash Accounts
 - 10031 Building Checking Account
 - 10032 Building Money Market Account
 - 10033 Building Petty Cash Account
 - 1004 Building Investment
 - 10040 Building Investment Accounts
 - 10041 Building Investment Account
 - 1005 Temporarily Restricted Accounts
 - 10051 Lodge Education Fund Account
 - 10052 Roof Replacement Account
 - 1006 Permanently Restricted Accounts
 - 10061 Life Membership Fund Account
 - 10062 Lodge Education Fund Account
 - 10063 Building Maintenance Fund Account

Asset Account (Other Current Assets)

- 1400 Resale & Inventory Items
 - 1401 Bibles, Rituals, etc for Resale
 - 1402 Jewelry for Resale
- 1500 Building and Fixtures
 - 1501 Building & Fixtures, Net Value
 - 15011 Building & Fixtures, Original Value
 - 15012 Building & Fixtures, Accumulated Depreciation
- 1550 Furniture Assets
 - 1551 Lodge Room Furniture
 - 1552 Dining Room Furniture
 - 1553 Kitchen Furniture
 - 1554 Office Furniture
- 1560 Personal Property Assets
 - 1561 Paraphernalia
- 1700 Mortgages & Loans

Attachment 17-1 (continued)
Standardized Chart of Accounts

- 1701 Real Estate Loans
- 1702 Other Loans
- 1900 Other Lodge Assets

LIABILITIES

Current Liabilities

- 2000 Grand Lodge Liabilities
 - 2001 Per Capita Fees
 - 2002 Degree Fees
 - 2003 Candidate Fees
 - 2004 George Washington National Monument Fees
- 2300 Loans Outstanding
 - 2301 Bank Loan 1
- 2400 Program Liabilities
 - 2401 Relief Fund Liability
 - 2402 Education Fund Liability
 - 2403 Youth Group Fund Liability
- 2500 Building Liabilities
- 2600 Prepaid Member Purchases
- 2700 Payroll Liabilities
 - 2701 Federal Withhold Tax Liability
 - 27011 Employer Soc Sec Match Liab
 - 27012 Employee Soc Sec Withhold Liab
 - 2702 Medicare Liability
 - 27021 Employer Medicare Match Liab
 - 27022 Employee Medicare Contr Liab
 - 2704 Federal Unemployment Tax Liab
 - 2705 Florida Unemployment Tax Liab
- 2800 Other Current Lodge Liabilities

Long Term Liability

- 2900 Mortgage Liabilities
 - 2901 Building Mortgage

EQUITY

Equity

- 3100 Fund Balances
 - 3101 Lodge Fund Balance
 - 3102 Scholarship Fund Balance
 - 3103 Relief Fund Balance
 - 3104 Building Fund Balance
- 3200 Opening Bal Equity
- 3900 Current Excess of Revenue over Expenses

Attachment 17-1 (continued)
Standardized Chart of Accounts

REVENUES

- 4100 Dues and Fees Received
 - 4110 Annual Member Dues Received
 - 4120 Perpetual Membership Purchases
 - 4130 Candidate Fees Received
- 4200 Building Income
 - 4210 Building Maint Contr Received
 - 4220 Building Rent Received
 - 4240 Other Building Receipts
- 4300 Life Membership Fund Income
 - 4310 Life Membership Fund Income
 - 4320 Life Membership Fund Change in Value
- 4400 Investment Income
 - 4410 Interest Income
 - 4420 Dividend Income
 - 4430 Capital Gain/(Loss)
 - 4440 Change in Investment Value
 - 4490 Other Investment Income
- 4500 Contributions Received
 - 4510 Gifts, Donations Received
 - 4520 Education Contr Received
 - 4530 Relief Contributions Received
 - 4540 Receipts from Wills, Bequests
- 4600 Lodge Activity Income
 - 4610 Meal Receipts
 - 4620 Fundraising Receipts
 - 4640 Dinner Receipts
 - 4650 Advertising Income
 - 4660 Trestleboard Advertising Income
- 4700 Sales Receipts
 - 4710 Ritual, Monitor, etc., Sales Receipts
 - 4720 Jewelry Sales Receipts
 - 4730 Other Sales Receipts
- 4900 Other Lodge Income

Attachment 17-1 (continued)
Standardized Chart of Accounts

EXPENSES

- 5000 Lodge Activities Expense
 - 5001 Per Capita Expense
 - 5002 Grand Lodge Program Expense
 - 50024 Ladies & Widows Program Expense
 - 50026 Trestleboard Expense
 - 500261 Trestleboard Printing Expense
 - 500262 Trestleboard Mailing Expense
 - 500263 Other Trestleboard Expense
 - 5003 Grand Lodge Travel Expense
 - 50031 Annual Communication Expense
 - 50033 Masonic Leadership Training Expense
 - 50034 Secretaries/Treasurer Training Expense

- 5100 Lodge Expense
 - 5101 Lodge Activities Expense
 - 51011 Stated Meeting Expense
 - 51012 Community Involvement Program
 - 510121 Other Charitable Expense
 - 510122 Other Expense
 - 51013 Membership Program Expense
 - 510131 Candidate Expense
 - 51016 Member Recognition Expense
 - 510161 Past Master Recognition
 - 510162 Past Master Night Expense
 - 510163 Mason of the Year Expense
 - 51019 Installation Expenses
 - 5102 Contribution Expense
 - 51021 Masonic Charities Expense
 - 51022 Relief Contribution Expense
 - 51023 Youth Group Contribution Expense
 - 51023 Charitable Contribution Expense
 - 51024 Scholarship Expense
 - 51029 Other Contribution Expense
 - 5104 Fundraising Expense
 - 51042 Steak Dinner Expense
 - 5106 Purchases for Resale
 - 51061 Rituals, Monitors, etc, Purchase Expense
 - 51062 Jewelry Purchases Expense

Attachment 17-1 (continued)
Standardized Chart of Accounts

- 5300 Building Expenses
 - 5301 Maintenance & Repair Expense
 - 5302 Utilities Expenses
 - 53021 Electricity Expense
 - 53022 Natural Gas Expense
 - 53023 Water and Sewer Expense
 - 53024 Refuse Expense
 - 5303 Janitorial Expense
 - 5304 Licenses/Fees/Permits Expense
 - 5305 Security Expense
 - 5306 Building Insurance Expense
 - 5309 Other Building Expense

- 6000 Payroll Expense
 - 6001 Salaries
 - 6002 Employer FICA Match Expense
 - 6003 Employer Medicare Match Expense
 - 6004 Federal Unemployment Tax Expense
 - 6005 Unemployment Tax Expense
 - 6007 Workers' Compensation Insurance Expense

- 7000 Administrative Expense
 - 7001 Office Expense
 - 70011 Administrative Services Expense
 - 70012 Office Supplies Expense
 - 70013 Postage Expense
 - 70014 Telephone Expense
 - 7005 Office Equipment Maintenance Expense
 - 7006 Paraphernalia Purchase Expense
 - 7007 Insurance Expense
 - 7008 Professional Fee Expense
 - 7009 Tax Expense
 - 70091 Real Property Tax Expense
 - 70092 Personal Property Tax Expense
 - 70093 Sales Tax Expense
 - 70094 Use Tax Expense
 - 7010 Loan Expense
 - 70101 Loan Interest Expense
 - 70102 Loan Processing Fees
 - 7012 Miscellaneous Administrative Expense
 - 7014 Investment Expense
 - 70141 Investment Management Fees
 - 70142 Investment Unrealized Gain/(Loss)
 - 7019 Other Administrative Expense

