



# Understanding & Setting Up the Budget Process!



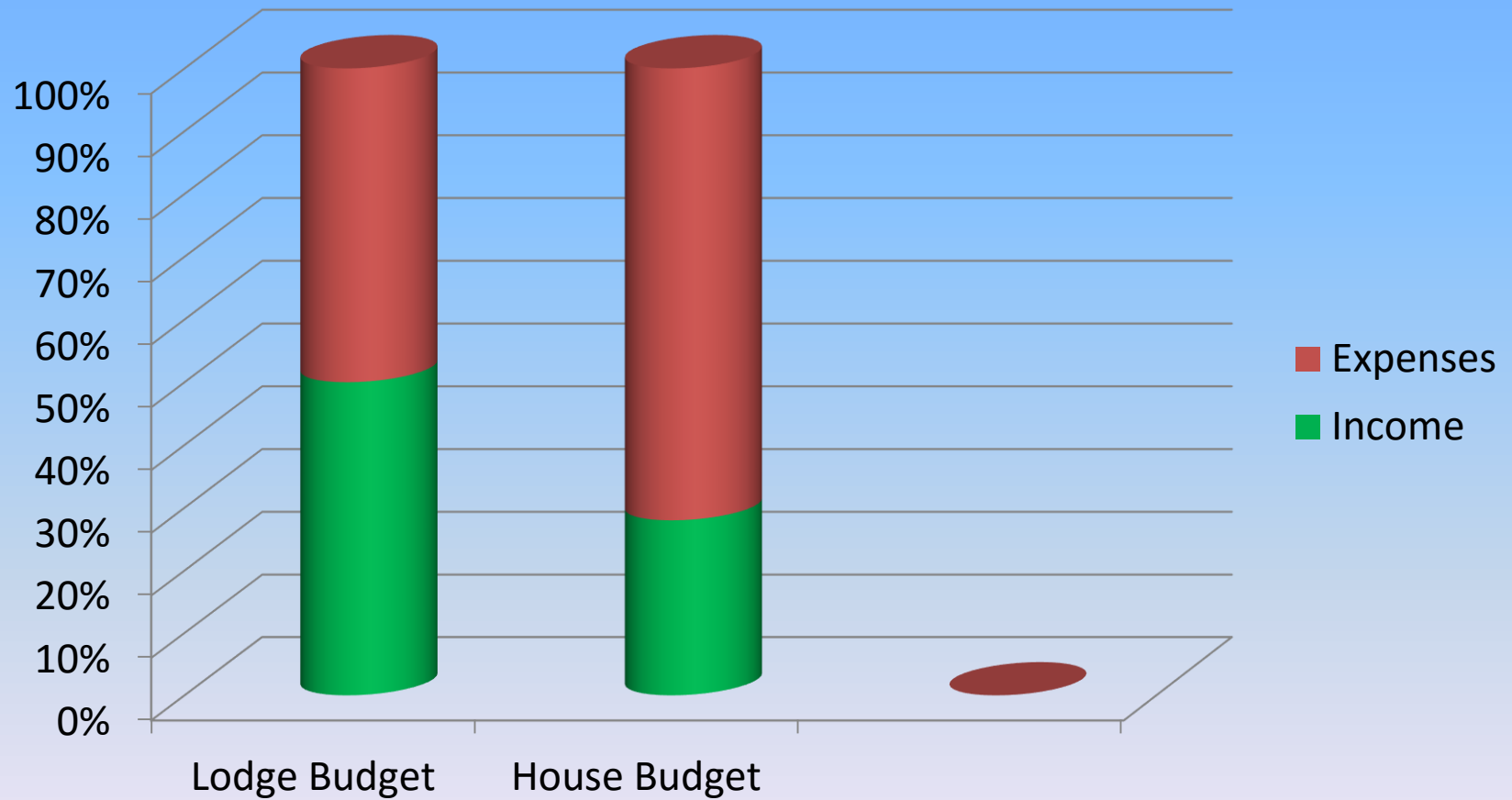
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*October 2009*

# What is a Budget?

- 1. A Financial Guide for a Business or Lodge.
- 2. Income Vs Expenses. (Balance)
- 3. Estimates of Income & Expenses.
- 4. Estimates of Projected Income from different sources.
- 5. Estimates of Projected Expenses from different sources.
- 6. What does a budget look like?

# Lodge & House Income Vs Expenses



# 1. Financial Guide for Business or Lodge

- **Examples: Break-down of Income:**

A. Membership Dues: Use End of Year Member Number to calculate below:

1. Number of Members (500) X Lodge Dues (50) = \$25,000 Membership Dues

B. Initiation & Fees

1. Project Number of **new members** based on last 2-3 years (25) X \$40 Fees = \$1,000 Initiation/ Fees

C. Activities Committee:

1. Plan events: Ex (6) Six. Shrimp, Crab, Dances, etc. Projected Profit \$1,500 each X 6 = \$9,000

D. House Committee/Social Quarters: From Separate budget, the Net Profit goes here. Net Profit = \$120,000

**SEE SAMPLE BUDGET HAND OUT!**

# Financial Guide for Business or Lodge

- Examples: **Break-down of Expenses:**
- A. Annual Auditing/Accounting: Negotiate with Accountant/CPA for Projected new fee, End of Year Report & Taxes = \$3,000
- B. Bookkeeper/Accountant for Lodge & House Monthly Accounting / Payroll ; \$500 monthly X 12 months = \$6,000
- C. Per Capita Dues for Grand Lodge & State Dues:
  1. Number of Members (500) X (\$13.50) Grand Lodge Dues = \$6,750 G.L. Dues
  2. Number of Members (500) X (\$2.25) State Dues = \$1,125 State Dues
- D. Grand Lodge Insurance: Use previous year + any projected increase = \$4,500
- E. Grand Lodge Supplies: Use previous 2 years + any projected increase = \$950
- F. Lodge Office Supplies: Use previous 2 years + any projected increase = \$500
- G. Bulletin Printing: Use previous year + any projected increase \$300 months X 12 months = \$3,600

SEE SAMPLE BUDGET HAND OUT!

# House Committee Budget!

- **Examples of Break-down of “Annual” House Gross Income:** Look at previous year!
- A. Bar Income: All of these figures are Gross : Monthly gross \$40,000 X 12 months = \$480,000 Gross
- B. Hall Functions/Rentals:
  1. Member Rental = 1 rental month or \$400 month@ \$400 each X 12 = \$4,800
  2. Non-Member Rentals = 2 rentals month @ \$450 each or \$900 X 12 = \$10,800
- C. Friday Night Dinner / Kitchen: \$2,000 month X 12 months = \$24,000
- D. House Pull Tabs: \$6,000 month X 12 months = \$72,000
- E. House 50/50: \$1,000 month X 12 months = \$12,000
- F. House Special Events: \$500 month X 12 months = \$6,000

**SEE SAMPLE BUDGET HAND OUT!**

## HOUSE COMMITTEE

<b>REVENUE:</b>	<b>March 31, 2005</b>	<b>Year Ended Actual</b>	<b>END of Year 2006 Budget</b>	<b>Over (Under)</b>
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1 Hall Functions	26,000	27,000	25,000	2,000
2 Bar	152,850	155,350	155,000	350
3 Kitchen/Dining	25,000	26,500	27,000	(1,500)
4 50/50 Tickets	5,000	6,000	6,000	0
5 Bar Bingo	100,000	105,000	102,000	3,000
6 Vending Juke Box/Pool Tables	6,000	6,800	5,750	1,050
7 Misc. Sales T-Shirts, etc.	500	400	500	(100)
8 Bar Food	600	700	600	100
<b>9. TOTAL REVENUE</b>	<b>315,950</b>	<b>327,750</b>	<b>321,850</b>	<b>4,900</b>
<b>EXPENSES:</b>				
10 Hall Functions	6,600	6,500	6,600	(100)
11 Bar Purchases	33,250	33,150	33,250	(100)
12 Kitchen/Dinning	8,500	8,100	8,500	(400)
13 Entertainment	7,000	6,800	7,000	(200)
14 Salaries (Employees)	40,000	40,000	42,000	(2,000)
15 Payroll Taxes	4,600	4,590	4,800	(210)
16 Licenses & Permits	1,000	1,000	1,200	(200)
17 Bar Bingo	144,900	146,000	146,000	0
18 Bookkeeper	9,600	9,600	10,000	(400)
19 Miscellaneous	2,500	2,000	2,500	(500)
<b>20. TOTAL EXPENSES</b>	<b>257,950</b>	<b>257,740</b>	<b>261,850</b>	<b>(4,110)</b>
<b>TOTAL INCOME</b>	<b>315,950</b>	<b>327,750</b>	<b>321,850</b>	<b>4,900</b>
<b>MINUS TOTAL EXPENSES</b>	<b>257,950</b>	<b>257,740</b>	<b>261,850</b>	<b>(4,110)</b>
<b>House NET INCOME</b>	<b>58,000</b>	<b>70,010</b>	<b>60,000</b>	<b>9,010</b>

# “House Committee” Relationship

## to “Lodge Budget”



### HOUSE COMMITTEE (Separate)

- Annual Gross Income = \$300,000
- Annual Expenses = \$180,000
- -----
- Net Profit → = \$120,000
- Annual \$300k / 12 = \$25k Gross Monthly
- to make budget
- Net \$120k / 12 = \$10,000 Monthly Net
- \$120,000 / 52 weeks = \$2,308 weekly profit to make budget

### LODGE BUDGET BALANCED

- Annual Income = \$157,000
- Annual Expenses = \$157,000

### Lodge Budget Balanced

- G.L. 12.070

### LODGE BUDGET (Separate)

- INCOME :** Dues = \$25,000
- Activities Crab, Shrimp = \$10,000
- House Committee** = \$120,000
- Interest (CD's, Etc.) = \$2,000
- 
- Total Income = \$157,000

- EXPENSES:** Accounting = \$6,000
- Convention Expenses = \$3,500
- Charity Donations = \$25,000
- Utilities = \$15,000
- Other (s) = \$107,500
- 
- Total Expenses = \$157,000





## Examine Cost:

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

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

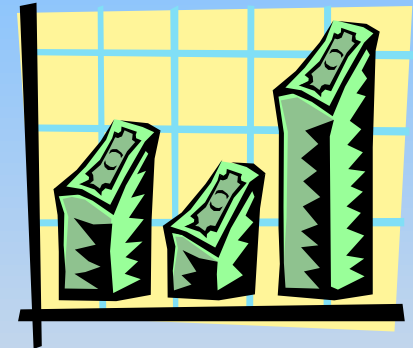




# All American Lodge, Inc Income Vs Cost or Expenses

## What Does it Cost to Run Your Lodge / Business?

- ASSUME: Over all LODGE & HOUSE Committee Income Vs Expenses:
- Total Income = \$450,000.00
- Total Expenses = \$350,000.00
- -----
- Net Profit 2005 = \$100,000.00 Good Year!
- Assume 3 year Average Cost:  
Cost or Expense -3 yr. Average = \$340,000
  
- Average Business Monthly Cost
- $\$340,000 / 12 \text{ months} = \underline{\$28,333 \text{ Monthly}}$
- Average Business Weekly Cost
- $\$340,000 / 50 \text{ Weeks} = \underline{\$6,800 \text{ Weekly}}$
- Business open 350 days annually
- Average Business Daily Cost
- $\$340,000 / 350 \text{ days} = \underline{\$971 \text{ Daily}}$
- Average Business Hourly Cost
- $\$971 / 10 \text{ hrs} = \underline{\$97 \text{ hourly}}$



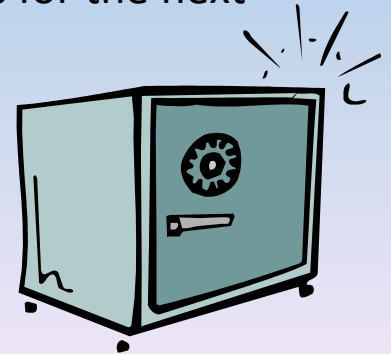
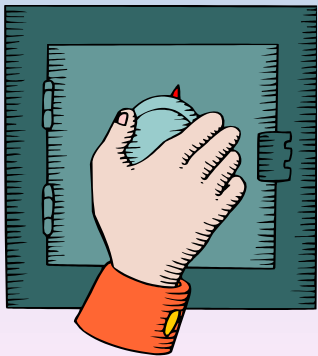
**NOW YOU KNOW HOW TO CALCULATE YOUR COST!**





## Controls Applicable to Club Operations “House Committee”

- Internal Controls for **Bar, Dining Room, Golf Course, Pool** and similar Club Operations. Use Simple DAILY SPREAD SHEETS of Income Vs Expense = Profit or loss. Avoid too many checking accounts, the Lodge should have only one but, sometimes two may be needed; however the TREASURER must Control and Sign All checks. Remember a Trustee(not related)-MAY be a back up signature; Treasurer may be ill or Out of Town.
- Per By-Laws & G.L 12.060.
- Daily Deposits should be made to your Bank! Night Deposits, should be made on Weekends. This reduces the risk of and, temptation of theft!
- The only cash needed is to Cover Your immediate expenses for the next day (Petty Cash). (Keep in Safe or Secure Lock Up)

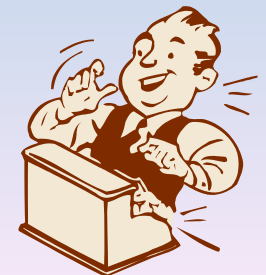




# “Audit Committee” Duties & Responsibilities

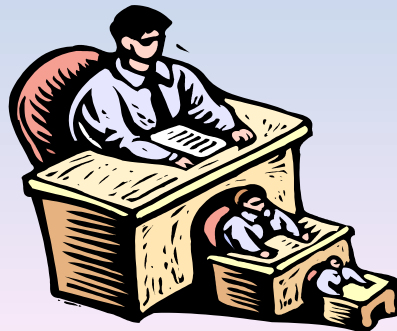
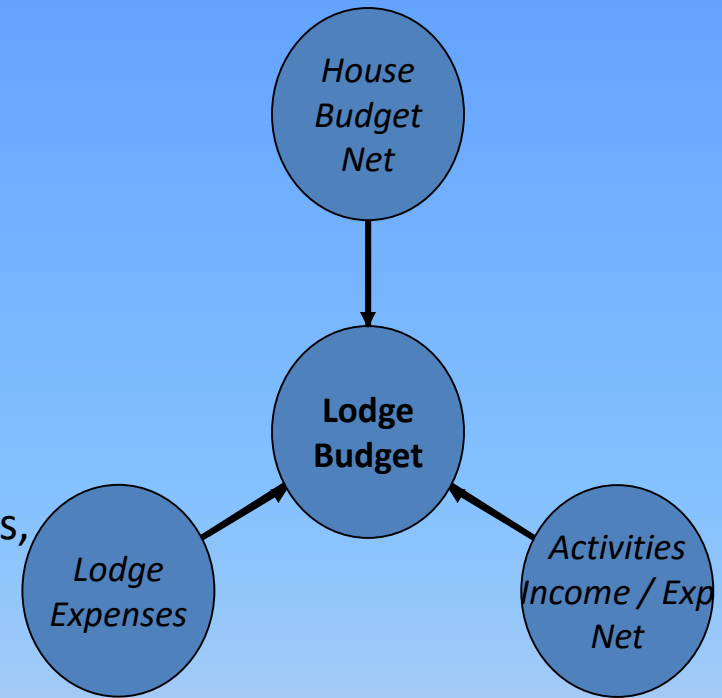


- **G.L. Statutes 13.040** **The Audit Committee “Shall:”**
- **Engage an Accountant**, with the approval of the Lodge, to prepare Annual Financial Report (Audit, Review or Compilation). Opinion 2. Neither the Governing Body of the Club nor the Trustees is authorized to employ its own accountant.
- Require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



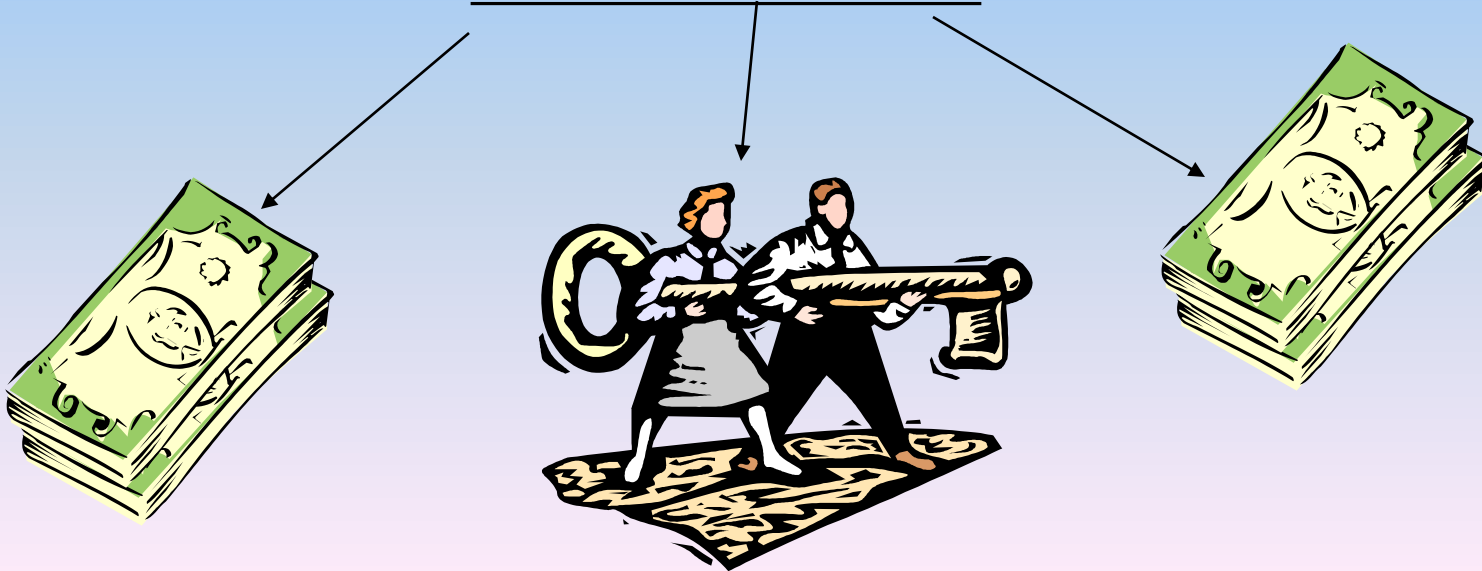
# Lodge Budget Vs House Budget

- **Lodge Budget Income:** Trustees G. L. 12.070
- Dues, Interest, Dividends, Fund raisers (Shrimp, Crab feast, etc.), **NET Income** or (Profit) from the **House Committee**
- **Lodge Expenses:**
- Charitable work, Administration Cost, Scholarship Grants, Sponsor Boy Scouts, Local Youth Sports Teams, Hoop Shoots, etc
- -----
- **House Budget Gross Income:** G.L. 16.040
- Sale of Goods at Lounge, Social Quarters, Kitchen, Pull Tabs, Dinners, Rentals, etc.
- **House Expenses:** From **COGS (Cost Of Goods Sold)**, Employees Pay, Unemployment Cost, Federal Taxes, etc.



**How to Plug In**  
**House Budget “Net Profit”**  
**to**  
**Lodge Budget**

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



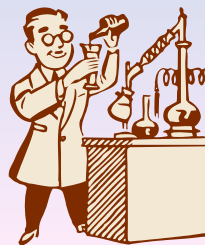
# Why Do We Need a Computerized Accounting System?



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



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

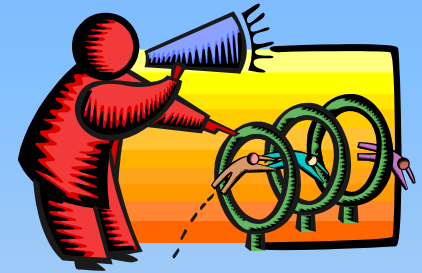


# TEAM WORK & Community Activity



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

• **We are All of these and More!**



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



## Let's Examine Cost!

Can You Improve Your Profits?

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

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

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

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

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

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

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

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

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

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

Or a combination of both!



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

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

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

And...Now, let's assume Your Cost to operate your lodge is \$97 hr X 4 hrs = \$388 (Net Loss of \$38 for Rentals)

Can You figure Your Cost? When was the last time you had a price increase? Are you competitive or very low?

Remember to add the average inflation factor over the last 7 years 4.02% (2000-2007 from US Dept of Labor)

## Some Controls for the House Committee

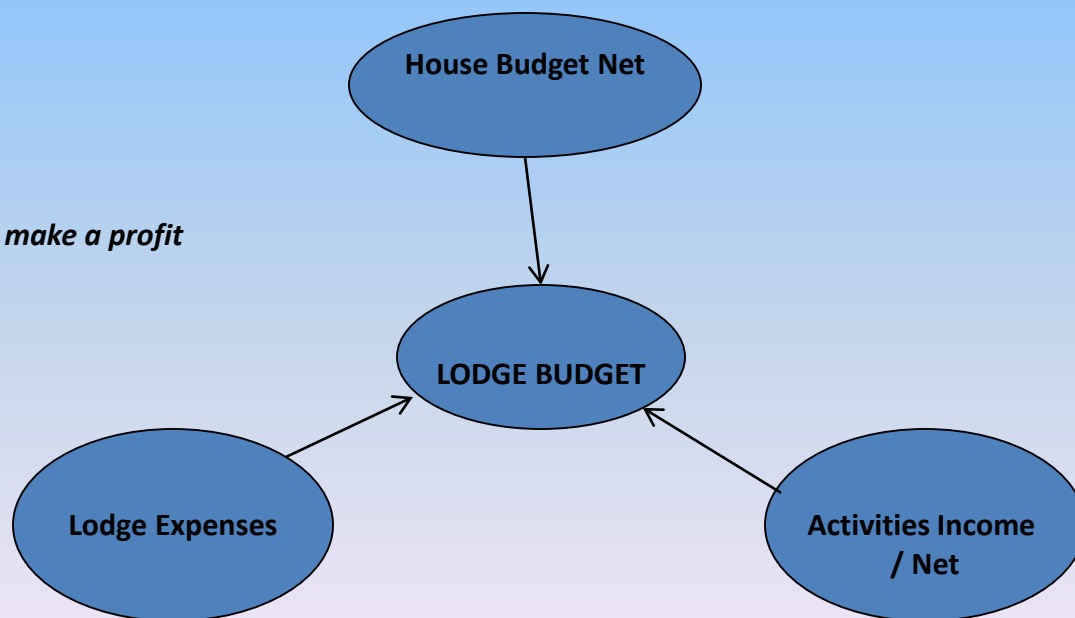
Internal: Use Simple daily Spread Sheets! Avoid too many checking accounts, you only need one, but sometimes two may be needed; however the Treasurer must control & sign all checks!

DAILY Deposits should be made to Your Bank! Night Deposits on weekends. Keep only cash needed to cover your immediate expenses for the next day.  
(Keep in Safe or Secure Lock Up)

Limit number of keys and change locks often as needed.



## LODGE BUDGET Vs HOUSE BUDGET!



*The House Committee must make a profit to Help Operate!*

*That's the KEY to Success!*



## Members Handling Money

&

## Why Are Committee Reports Needed?

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



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

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

**All You have to do is ASK?**

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**THE END!**



**QUESTIONS OR COMMENTS?**