



IDAHO ELKS ACCOUNTING BASICS

Nick Bradley and Traci Roberts-Marmon
Caldwell Elks Lodge
Fall 2024 Presentation

AGENDA

- What is Accounting?
- Financial Statements
 - Balance Sheet
 - Income Statement
- Interpreting the Data
 - Cost of Goods Sold
 - Profit Margin Ratio

WHAT IS ACCOUNTING?

- The systematic process of recording, measuring, and communicating financial information.
- Helps in the decision-making for management
- Ensures accurate financial reporting and compliance

CHART OF ACCOUNTS

- Grand Lodge has established our Chart of Accounts
- The Chart of Accounts is simply a way to organize all transactions. It is divided into 5 basic sections:
 - Assets Balance Sheet
 - Liabilities Balance Sheet
 - Equity Balance Sheet
 - Revenue Income Statement (Profit and Loss)
 - Expenses Income Statement (Profit and Loss)
- It essentially just give each accounting item a numerical value



CHART OF ACCOUNTS

UNIFORM CHART OF ACCOUNTS

GENERAL

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

Subaccounts can be added for unique activities or classifications within the Lodge.

Accounts needed by Board of Directors or Board or Trustees (as applicable) and business segment/entity managers for budget formulation and financial management.

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

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

Lodges may not add account numbers to this Chart of Accounts without approval of the Grand Lodge Auditing & Accounting Committee. Once approved, the account number(s) will be added to the approved Chart of Accounts and will be posted online at elks.org in the Grand Lodge Auditing & Accounting Committee section and under the Manuals section.



BASIC OUTLINE: Predesignated for departments?

10XXX Series	Assets.
20XXX Series	Liabilities and Equity
30XXX Series	Lodge Income and Expenses
40XXX Series	Club or Social Quarters Income and Expenses
50XXX Series	Food Service Income and Expenses
61XXX Series	Bowling Center Income and Expense
62XXX Series	RV-Camper Clubs Income and Expense
<hr/>	
64XXX Series	Fitness Centers Income and Expense
65XXX Series	Golf Clubs Income and Expense
66XXX Series	RV Parks Income and Expense
67XXX Series	Swimming Pools Income and Expense
68XXX Series	Tennis Center/Club Income and Expense
70XXX Series	Commercial Property Income and Expense
71XXX Series	Gun Range/Shooting Club Income and Expenses
72XXX Series	Other Recreational Centers Income and Expenses
90XXX Series	Permanent & Temporary Restricted Funds.

CHART OF ACCOUNTS

- Double Entry Bookkeeping

BALANCE SHEET VS INCOME STATEMENT PURPOSES

- The Balance Sheet shows what the lodge owns vs what the lodge owes (at a single point in time)
- The Income Statement (Profit and Loss) shows profitability from top to bottom, starting with the revenue less all the expenses and ending with net income over a period of time (usually a month or year).

BALANCE SHEET

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$



What the Lodge owns

- **Liabilities** is what the lodge owes
- **Equity** is net worth of the lodge

Can also be explained as:

$$\text{Equity (Net worth)} = \text{Assets} - \text{Liabilities}$$

ASSETS

- Types of Assets
 - Current (Cash, Accounts Receivables, and Inventory)
 - Fixed (Building, Property, and Equipment)

LIABILITIES

- Types of Liabilities
 - Current (Accounts Payable, Taxes Payable, Deferred income)
 - Long-Term (Leases, Mortgages, and loans of more than a year)

EQUITY

- Types of Equity
 - Net Income from the current year (from the Income Statement)
 - Retained Earnings (Since the beginning of the lodge)

ANY LODGE #0000 BALANCE SHEET AS OF AUGUST 31, 2021

		Aug 31, 20			Aug 31, 20
ASSETS			LIABILITIES & EQUITY		
Current Assets			Liabilities		
Checking/Savings			Current Liabilities		
10103 - Cash Change Funds	1,000.00		20000 - Accounts Payable*	2,000.00	
1020102 - Mountain West Bank Checking			Total Accounts Payable	2,000.00	
1020103 - Checking - Operating Account	15,000.00		Other Current Liabilities		
10214 - Checking Restricted Funds	5,000.00		20900 - Sales Tax Payable	5,000.00	
Total 1020102 - Mountain West Bank Checking	20,000.00		2090001 - City Sales Tax Payable	500.00	
Total 10201 - Checking Lodge General	20,000.00		21600 - Payroll Tax Liabilities	2,000.00	
Total Checking/Savings	21,000.00		21700 - Prepaid Rents		
Accounts Receivable			2170001 - Prepaid Lodge Rental Fee	500.00	
10500 - Accounts Receivable	1,500.00		Total 21700 - Prepaid Rents	500.00	
Total Accounts Receivable	1,500.00		21801 - Prepaid Fees	50.00	
Other Current Assets			Total Other Current Liabilities	8,050.00	
10802 - Bar Inventory	2,000.00		Total Current Liabilities	10,050.00	
10803 - Food Inventory	2,500.00		Long Term Liabilities		
Total Other Current Assets	4,500.00		23200 - Mortgage Payable		
Total Current Assets	27,000.00		2320001 - Washington Trust Bank	45,000.00	
Fixed Assets			Total 23200 - Mortgage Payable	45,000.00	
15001 - Land	21,000.00		Total Long Term Liabilities	45,000.00	
15100 - Buildings/Major Improvements	500,000.00		Total Liabilities	55,050.00	
15200 - Accumulated Depreciation	-225,000.00		Equity		
15300 - Furniture/Pictures	18,000.00		Net Income	285,950.00	
Total Fixed Assets	314,000.00		Total Equity	285,950.00	
TOTAL ASSETS	341,000.00		TOTAL LIABILITIES & EQUITY	341,000.00	

INCOME STATEMENT

$$\text{Revenue} - \text{Expenses} = \text{Net Income}$$

- Also called PnL (Profit and Loss Statement)
- Revenue (Dues, Fundraisers, Fees, Rents, etc)
- Expenses (wages, utilities, maintenance, insurance, etc)

ANY LODGE #0000 - LODGE PROFIT & LOSS APRIL 1, 2020 to APRIL 30,

2020

		<u>Apr 20</u>			<u>Apr 20</u>
Ordinary Income/Expense			Expense		
Income			30200 · Alarm Service		93.21
	30010 · Member Dues Regular	20,563.50		30205 · Accounting & Audit	281.10
	30011 · Life Member Dues	192.00		30220 · Bulletin	911.97
	30013 · Associate Dues	60.00		30225 · Key Cards	259.31
	30020 · GL Per-Capita Fees	5,852.50		30270 · Insurance G/L	4,115.00
	30021 · State Assoc. Per-Capita Fees	1,694.00		30305 · Lodge Supplies G/L	240.88
	30035 · Initiation Fee	50.00		30325 · Office Postage	751.50
	30040 · Transfers/Dimits	40.00		30330 · Office Supplies	34.95
	30110 · Raffle/Drawings	0.00		30350 · Officer Salary - Secretary	830.76
	Total Income	<u>28,452.00</u>		30370 · Per-Capita G/L	6,973.00
	Gross Profit	28,452.00		30375 · Per-Capita State	2,018.50
				30400 · Maintenance/Repair	53.95
				30425 · Taxes Payroll	102.98
				30445 · Telephone/Internet	262.94
				30450 · Electricity	130.66
				30455 · Gas	77.13
				30500 · Depreciation Lodge	212.50
				Total Expense	<u>17,350.34</u>
				Net Ordinary Income	11,101.66

Any Lodge #0000 – Bar/Lounge Profit and Loss April 1, 2020 to April 30, 2020

	<u>Apr 20</u>		<u>Apr 20</u>
Income		Expense	
40100 · Liquor Sales	750.00	40305 · Alarm Service (bar)	93.21
40105 · Beer Sales	624.00	40310 · Accounting	281.12
40106 · Wine Sales	115.00	40325 · Credit Card Exp/Bank/Bad Cks	29.95
40110 · Sundries Sales	65.00	40330 · Cash Over/(Short)	0.25
Total Income	<u>1,554.00</u>	40375 · Licenses	300.00
Cost of Goods Sold		40385 · Meals To Employees	25.00
40205 · Liquor Purchases	220.00	40420 · Wages-Bartenders/Waitress	350.00
40210 · Beer Purchases	175.00	40440 · Taxes-Payroll	25.00
40211 · Wine Purchases	40.00	40456 · Utilities-Water/Sewer (bar)	75.00
40215 · Sundries Purchases		40460 · Telephone/TV	80.00
4021501 · Sundries Purchase	24.00	40470 · Utilities-Electricity	75.00
Total 40215 · Sundries Purchases	<u>24.00</u>	40475 · Utilities-Gas	77.13
40226 · Bar Supplies	15.00	40495 · Depreciation Bar	135.50
Total COGS	<u>474.00</u>	Total Expense	<u>1,547.16</u>
Gross Profit	<u>1,080.00</u>	Net Income	<u>-467.16</u>

ACCOUNTING GOALS

Please don't just complete your reports and file them away.

1-Gain a Basic Understanding of the Lodge

- What does the lodge sell, to whom, how, and why?
- Profitability of the business (several measures)
- Which events or functions are most responsible for your success

2-Understand the Financial Situation of the Lodge

- Is operational cash flow positive or negative?
- Do any aspects of the lodge lose money?

3-Analyze Performance

- Measures of profitability
- Measures of operational efficiency
- How to know if you are on the right track.

FINANCIAL REPORT ANALYSIS

There are three main ways to analyze financial reports.

- 1) Period to Period
 - How were sales compared to last month?
 - How did this event do this year compared to last year?
- 2) Budget
 - How are we performing compared to the budget?
- 3) Ratio
 - Cost of Goods Sold
 - Profit Margin
- “We lose money on every sale, but we can make it up on volume”

MONTHLY INVENTORY

- Break it down into multiple sections:
 - Alcohol
 - Beer
 - Wine
 - Mixers & Condiments
 - Bar Snacks
 - Bar Supplies (napkins, plastic glasses, cleaning materials)

SAMPLE MONTHLY INVENTORY

Name (Alcohol)	Q	Cost	9/30/2024	8/31/2024
Titos	3	18.95	0	1
Jack Daniels	3	21.80	1	2
TOTAL			21.80	62.55

Name (Mixers)	Q	Cost	9/30/2024	8/31/2024
Bloody Mary	3	5.49	2	2
Orange Juice	3	8.39	0	2
TOTAL			10.98	27.76
TOTAL OF ALL			32.78	90.31

Sales Receipt 9/1/2024	
Titos	2@18.95
Jack D	1@21.80
Bloody M	1@5.49
Orange J	1@8.39
Total	73.58

COST OF GOODS SOLD

$$\frac{\text{Starting Inventory} + \text{Purchases} - \text{Ending Inventory}}{\text{Sales}} = \text{CoGS \%}$$

$$\frac{90.31 + 73.58 - 32.78}{\$450} = 29\%$$

Cost of Goods Sold just calculates the actual materials used for corresponding sales

The goal should be to have the CoGS under 35%

COST OF GOODS SOLD

A full inventory is not always possible when you want to calculate your CoGS. Quick –Tip:

- If the Starting and Ending Inventory are the same, we can say

$$\frac{\text{Starting Inventory} + \text{Purchases} - \text{Ending Inventory}}{\text{Sales}}$$

If your lodge has a “fully stocked” level that you purchase back to, you can quickly check your Cost of Good Sold with just the sales summary and the purchase receipt.

PROFIT MARGIN RATIO

Net Income

Sales

Sales

- Cost of Good Sold
- Other Direct Costs

= Net Income

(this excludes overhead and fixed costs)

PROFIT MARGIN RATIO

- Profit Margin Ratio is very useful especially with changing prices.
- It compares the total costs to the total sales
- For example, you may find that smaller events with higher prices are more profitable than bigger events with lower prices
- Or you may find that from year to year your event is getting bigger but it is also less profitable.

Questions or Comments?

BUDGETING

- The Annual Budget needs to be completed by April 1st and approved on the floor of the lodge no later than that last meeting in April
- The Budget should be based on the previous years' actual Income Statement
- Set goals but be realistic
- When making adjustments to the budget, pay close attention to how the change will affect each type of cost (variable, fixed, and opportunity and direct vs indirect)

CATEGORIES OF COSTS

FIXED VS VARIABLE

- Fixed Costs are not affected by Sales Volume
 - Examples: Maintenance, Property Tax, Insurance, Front Office
- Variable Costs change based on the Sales Volume
 - Examples: Bar Supplies and Credit Card Fees
- Opportunity Costs are the benefit given up when one alternative is chosen over another

CATEGORIES OF COSTS

DIRECT VS INDIRECT

- Direct Costs can be attributed to one specific department or event (examples include bartender wages or event entertainment)
- Indirect Costs are shared across multiple departments or events (examples include maintenance, insurance, property tax)

PURPOSE OF CATEGORIZING COSTS

- It is important to understand the effect each type of cost has on sales.
- It is easy to figure out the profit if you sell 25% more drinks
- It is harder to figure out how many drinks to sell for the social quarters to break-even

This is because different costs behave differently.

BUDGETING

- Break-down revenue and expenses as much as you need to in order to make the reports meaningful.
 - It is tempting to lump revenue and expenses into the broadest category possible to make the reports shorter, but the result may be that the reports are more difficult to analyze later on.
 - For example, consider using as many subaccounts as you may need in order to see trends year over year.
 - Example: Are our functions more or less profitable?
 - Do we make more money on food or 50/50 drawings?

PRORATING OVERHEAD COSTS

- Fixed (Overhead) costs effect more than one department of the lodge

Examples: Accounting, Insurance, Janitorial, Maintenance

- Methodology will be unique to each lodge
 - Some lodges may be able to pay the majority of their overhead with annual dues and others may need 30% or more of their sales to cover overhead
 - “Intra-Lodge Rent” is a good way to estimate the costs without breaking it down item by item