



Information for
Lodge & Chapter Treasurers



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INTRODUCTION

This booklet is produced primarily for the information of newly appointed Lodge or Chapter Treasurers, but it is hoped that it will also prove to be a useful source to those who are already in office. It has been written mainly with reference to Lodges, but with a few presentational amendments, where appropriate, the content applies equally to Chapters and other Orders.

The main objectives are to provide Treasurers with guidance on their duties and responsibilities and to provide a framework to produce meaningful accounts, which also promote a consistency of approach within the Province. Should you require clarification of any point then please contact the Provincial Grand Treasurer via the Provincial Office.

The all-encompassing rule for Treasurers and Auditors is Rule 153 Book of Constitutions, which is reproduced in full under the heading "Regulation" but set out in paragraph form to emphasise the points being made. There is a highlighted note of explanation following each paragraph.

Other rules in the Book of Constitutions that the Treasurer ought to be familiar with are: -

Rule 146	Annual Returns
Rule 147	Remittance of fees
Rule 148	Cessation of membership
Rule 152	Out of time payment penalty
Rule 181	Exclusion of a member

Additionally, the Province requests each Lodge to submit a copy of its last Annual Accounts to the Province with its Annual Return. In addition, this applies to Benevolent Fund and Charity accounts prepared by the Lodge. In practice Lodges should forward a copy of their accounts, as soon as they have been prepared and audited, rather than waiting for the next Annual Return. Rule 153 also imposes a time limit at which the accounts are presented to the members of the Lodge, this being the third meeting after the Lodge's fiscal year-end date.

One other area of regulation that Treasurers need to be aware of is the Charities Act and in particular, its effect on the uses to which Lodge charity monies can be put. The Act states that a charity's funds can only be used for charitable purposes and as far as Lodges are concerned this generally means for the prevention or relief of poverty or payments to other charities, both Masonic and non-Masonic. The area of difficulty for Lodges is whether Christmas gifts to widows, flowers to brethren and their dependants, or cards and other items of a similar nature fall within this definition. Whilst such payments are in the best Masonic tradition they are not, in law, regarded as charitable purposes and must not be provided from any charity fund, which is in law a charity. This means that if the Lodge's charity fund is a registered charity then its funds must not be used to make such payments.

In the example accounts it has been assumed that the charity/benevolent fund is not a registered charity, so it can be used to make this type of payment and has been funded by alms collections or raffles specified for that purpose. Alternatively, payments could be made through the Lodge general account with the alms collections and any charitable payments still passing through the charity/benevolent fund.

Moving on to the accounts, the circumstances of each Lodge are different, so it is not possible to produce a set of documents that will fit every conceivable situation, but it is hoped that Treasurers will be able to tailor the accounts to suit their Lodge's requirements.



The example accounts comprise a Balance Sheet, Income and Expenditure schedule, both incorporating the General Fund and Charity/Benevolent Fund accounts, together with a cash book and subscription schedule, which are all preceded by a general guide.

The example accounts are incorporated in an Excel workbook, which can be downloaded from the website. The excel spreadsheets used contain formulas that will assist to automate the production of the annual accounts.

The notes are designed to provide further information to assist in the preparation of the accounts. The note numbers do not form part of the actual accounts and are not usually inserted.

Finally, before moving on to the main content, the management of a Lodge's finances and the preparation of the accounts are not easy for all and it is not possible to cover everything in a handbook of this kind. Please remember that Province exists for the benefit of its Members, so no one should feel any reluctance in asking for advice. The Provincial Grand Treasurer will always be very happy to help; therefore, please do not hesitate to seek his assistance with any problems you encounter in performing the duties of your most important office.



REGULATION

Treasurer's Duties and Accounts Rule 153 Book of Constitutions

153 (a) Save where a payment is made direct into the bank account of the Lodge, all moneys due to, or held for, the Lodge shall be paid or remitted, to the Treasurer direct, who shall without undue delay deposit the same in an account in the name of the Lodge at a bank to be approved by resolution of the Lodge.

This means that others should not hold on to lodge monies and should pass them to the Treasurer without delay and he should promptly pay monies into the Lodge bank account. The Lodge bank accounts must be in the name of the Lodge and not in any circumstances in the Treasurer's or any other individual's name.

The Lodge may by resolution authorise the Treasurer, but on no pretence any other Brother, to make payments from the Lodge's account by electronic means; in the absence of any such resolution all payments from Lodge funds shall be made by cash or by cheque.

This means that, subject to approval by resolution of the Lodge, the Treasurer can make legitimate payments on behalf of the Lodge by electronic means. This is subject to the authorised terms approved by the Lodge's bank.

153 (b) The Treasurer, if available to do so, shall make such payments as are duly authorised, or have been sanctioned by the Lodge. All cheques must bear the signature of the Treasurer and (unless the Lodge resolves to the contrary) at least one other member authorised by the Lodge, provided that if it be impracticable for the Treasurer to sign any cheques it shall be sufficient for such cheque to bear the signature of two members authorised by the Lodge.

This means that only payments that are legitimately made on behalf of the Lodge and have been agreed by the Lodge members should be made from the account. It is not against this rule to have only one signature, however this is subject by resolution of the Lodge. Unless this resolution is passed and to provide flexibility and convenience it would be best practice to arrange with the Bank for cheques to be signed by any two from three signatories e.g. the Treasurer and either the Secretary or one other member. The signatories must always satisfy themselves as to the validity of the payments being made. This precludes the common practice of a signatory signing blank cheques in advance, which although convenient, is dangerous and should be avoided.

153 (c) The Treasurer shall regularly enter a complete record of all moneys passing through his hands in the proper books of account, which shall be the property of the Lodge, and which, together with all Lodge funds and property in his possession, shall be transferred to his successor upon investiture.

This means that the Treasurer must keep proper and accessible books and records on behalf of the Lodge and pass these together with any other property and money to his successor promptly at the appropriate time.

He shall prepare a statement of accounts annually, at a date to be determined by the members, showing the exact financial position of the Lodge, which statement shall be verified and audited by a committee of members of the Lodge annually elected for that purpose.

This means that the Treasurer must prepare accounts that truly reflect the financial position of the Lodge based on properly kept books and records and pass these to the Audit Committee for review and verification. There must be at least two Auditors and it is preferable, where possible, that they have some knowledge of accounts.



153 (d) Copies of the accounts and of the certificate signed by this Audit Committee that all balances have been checked and that the accounts have been duly audited shall be sent to all members of the Lodge together with the summons convening the meeting at which they are to be considered. Such meeting shall be not later than the third after the date to which the accounts are made up.

This means that the accounts should be prepared and audited as soon as practicable after the year-end, so that they can be presented to the members no later than the third meeting after the date to which the accounts are made up. To facilitate, the accounts should be sent out in good time to enable members to consider them prior to the meeting and they should not be retained and handed out just at the meeting.

The books of account shall be produced for inspection in open Lodge at such meeting and on any other occasion if required by resolution of the Lodge.

This means that the books and records should also be available at the meeting and it is also a good idea if the Treasurer brings them to each meeting.

153 (e) The same procedure of annual accounts, audit and presentation to members of the Lodge shall, mutatis mutandis, be followed in relation to any other funds maintained by or in connection with the Lodge (whether by the Treasurer or by a Charity or other Steward or by any other member of the Lodge) such as, but not limited to, a Lodge Benevolent Fund, the funds of a Charity or Benevolent Association, Dining Fund, Charity Box collections or other monies receivable from individual members of the Lodge or any of its Officers.

This means that all subsidiary accounts or activities of the Lodge that do not form part of the main Lodge accounts should have their own set of accounts, which should be audited and signed off. The different functions may mean that the format of the accounts varies but the procedure should be the same, mutatis mutandis.



A GUIDE TO THE PREPARATION OF MASONIC ACCOUNTS

1. INTRODUCTION

Although the majority of Lodge and Chapter Treasurers prepare perfectly acceptable accounts, there are many different styles and layouts and some can be both misleading and inaccurate. This guide sets out a recommended layout, which may be of use to Treasurers in all Degrees and Orders. For simplicity this guide always refers to a Lodge, but the type of Order concerned can be substituted wherever it arises in the text.

2. PROBLEMS

The main problem is where Treasurers use what is known as a "Receipts and Payments" account rather than an accrual based "Income and Expenditure" account. The latter is the correct methodology to be adopted, as the former includes all items that have been received or paid in the year, which may well include income relating to the following or previous year (e.g. subscriptions in advance or arrear) or omit expenditure, which is not paid until the following year (e.g. catering charges or Grand Lodge and Provincial Lodge dues etc). Unless all items of income and expenditure, which relate to a particular year are included within that year's accounts, whether received or paid, then those accounts will not accurately reflect the activities for the year. A Balance Sheet should always be included to show the actual financial position of the Lodge at the year end.

Grand Lodge and Provincial Grand Lodge dues are payable in arrears and details of monies due are emailed to the Secretary and Treasurer in the final month of their fiscal year. These monies should be paid immediately, or if not accrued, but in any event, they are payable within 30 days of the end of the year to which they relate. Lodges should therefore always have enough funds available at the year end to make these payments without having to rely on the following year's subscriptions. If not paid before the last day of the year to which they relate, then the amounts due should be included in the expenditure of the year and in creditors in the Balance Sheet

Subscriptions on the other hand are payable in accordance with the Lodge by-laws and are payable "in full" and "on the due date", which normally means the first day of the new-year. This is to enable the Treasurer to have enough funds to pay the bills incurred by the Lodge throughout that year, including the Masonic dues, as referred to in the previous paragraph, that are not paid until the fiscal year end.

3. BALANCE SHEET

A Balance Sheet should be included to show the financial position of the Lodge at the end of the last day of the financial year. It is a snapshot of the state of affairs at the year end and is a very important part of the accounting process, as it sets out clearly whether or not the Lodge is solvent.

4. INCOME AND EXPENDITURE ACCOUNT

As intimated above, the Income and Expenditure account is the preferred format because it ensures that all the transactions for a particular year are included in the accounts for that year and that the accounts are not distorted by the inclusion of items relating to any other year.

The headings of the various types of income and expenditure will vary according to the requirements of each Lodge. The columns should be headed with the actual years concerned.



5. THE CHARITY OR BENEVOLENT FUND

For the purpose of this handbook it is assumed that we are dealing with an unregistered charity (i.e. one with an income of less than £5,000).

Although the monies can, if desired, be held in an omnibus bank account a separate "Income and Expenditure" and "Balance sheet" must be prepared.

In the case of a registered charity the accounts would need to be prepared under the provisions of the Charities Act and Statement of Recommended Practice (SORP), which are outside the scope of this handbook.

6. MASONIC CHARITABLE FOUNDATION - RELIEF CHEST

Once monies have been transferred to the Lodge's Relief Chest they cease to be under the total control of the Lodge as they cannot be returned, unless the Lodge Charity Fund is itself a Registered Charity and the account should therefore be dealt with by way of a note to the accounts. The Lodge is still able to direct the transfer of the monies in its Relief Chest to other charities both Masonic and non-Masonic.

7. REPORT OF THE AUDITORS

In accordance with Rule 153 each set of Lodge accounts should have attached to them a duly signed report from the auditors, a suggested wording for such reports is as follows: -

REPORT OF THE AUDITORS TO THE MEMBERS OF
PROFORMA LODGE No 9999

In accordance with Rule 153 Book of Constitutions we have examined the above Balance Sheet and the attached Income and Expenditure account and have verified the bank and other balances. In our opinion they are in accordance with the books and records and give a true and fair view of the state of the affairs of the Lodge, as at the "fiscal year end" and of the surplus / (deficit) for the year ended on that date

The wording can be amended as necessary to suit the accounts under review.



NOTES ON THE ACCOUNTS

1. Subscriptions should be the multiple of the number of members' times the appropriate subscription rate for the year, excluding non-payers such as honorary members, Tyler or Secretary, if appropriate. Unrecoverable subscriptions will arise when a member is excluded for non-payment under Rule 181 or whose membership has ceased under Rule 148, Book of Constitutions.
2. Sundry receipts may arise, which should be included in sundry expenses.
3. Interest earned on bank current and deposit accounts is technically subject to corporation tax, but HMRC have indicated that they will not generally attempt to collect tax on small club type accounts where small amounts of interest are the only taxable amounts. If you are submitting a corporation tax return and paying tax it would be worthwhile asking for concessionary treatment to be applied. Banks and Building Societies should be paying interest gross and it may be worthwhile checking to ensure that they are.
4. Grand and Provincial dues will be advised to both the Secretary and Treasurer by email during the final month of the fiscal year-end and should be included in "Income and Expenditure" for the year and paid immediately, or if not, they should be accrued and be shown as a creditor (Note 9) in the "Balance Sheet".
5. Dining costs should be self-funding. Any additional expense should represent the dining cost of special guests.
6. A surplus exists where the income exceeds expenditure for the year and represents the amount by which the Lodge funds have been increased. Conversely, a deficit is created where the opposite occurs and represents the amount that the Lodge funds have decreased. The assets or net worth of the Lodge shown in the Balance Sheet will increase or decrease accordingly.
7. Debtors consist of income included in the Income and expenditure account where monies have not been received. Where the residual value of a payment extends into future periods, such as Insurance, this should also be considered, as a debtor, but only if the residual monies are of a material amount and their inclusion would distort the annual accounts.
8. Balances at the Bank need not be shown individually on the Balance Sheet but can if the Lodge desires. Treasurers are advised not to retain cash in hand, however if they do, then it should be included, but shown separately. The example accounts have been prepared on the basis that all receipts have been banked.
9. Creditors are purchases or costs which relate to the accounting year, but where payment has not been made before the end of the fiscal year-end. These would normally be Grand Lodge and Provincial Grand Lodge dues, but may include items such as, printing, secretarial expense or catering costs.
10. Subscriptions in advance consist of monies received which relate to the following year. This money should not be shown as income for the current fiscal year, but in the creditors section of the Balance Sheet, because if the Lodge ceased at the fiscal year-end then those monies would have to be repaid.



NOTES ON THE CASH BOOK

1. The cash book has been prepared to reflect movements, which have passed through the Bank accounts. The amount credited or debited should be reflected under the appropriate columns in the cash book. The column headings can be changed to suit. Check columns are included to prove that the bank account entry equals the individual items. If the records are to be kept manually, then a similarly designed cash book could be created.
2. The receipts and payments should be checked off against the bank statements to ensure that all items have been entered correctly. This exercise should be carried out regularly, so that any discrepancies can be identified, investigated and resolved within a short timeframe.
3. The column totals can be transcribed to the Income and Expenditure and Balance Sheet accordingly.

NOTES ON THE SUBSCRIPTION SCHEDULE

1. This schedule will provide the means to record the receipt of members' subscriptions and the total should equal the total shown in the cash book. The total of non-received subscriptions will be entered under debtors in the Balance Sheet.
2. The schedule also provides the means to record members attendance at each meeting and dining fees received. Also, the meal and if appropriate, the wine cost can be included, thereby the annual totals of which can be entered on the Income and expenditure schedule.