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1. INTRODUCTION

This booklet has been prepared for use in connection with the Treasurers' Workshops held to provide guidance to Brethren in the Province.

Its purpose is to assist Lodges and Chapters to comply with the requirements of the Book of Constitutions (BoC) and Provincial Grand Lodge By-laws. It is not intended that Lodges' or Chapters' existing accounting arrangements should be disturbed in any way provided they meet the necessary requirements.

The booklet will be updated periodically to reflect developments and, as appropriate, to incorporate improvements and suggestions emerging from the Workshops.

2. LODGE TREASURER'S DUTIES

a. Book of Constitutions

The Treasurer's duties and responsibilities are set out in Rule 153 BoC, and in the Commentary provided by the Board of General Purposes, and can be summarised as follows:

- i) to receive all monies due and ensure they are deposited in an account in the name of the Lodge at a bank approved by resolution of the Lodge.
- ii) to make duly authorised payments without delay. All cheques must bear the signatures of at least two members authorised by name as signatories by resolution of the Lodge, of whom one shall, unless it is impracticable, be the Treasurer. Every signatory to a cheque has a duty to satisfy himself that the amount of any cheque he is called upon to sign is properly due from lodge funds. Electronic payments may be made by the Treasurer alone but not by any other member and only after the Treasurer has been authorised to make such payments by resolution of the Lodge.
- iii) to keep proper books of account which are the property of the lodge and which together with all Lodge funds and property in his possession must be transferred to his successor.
- iv) to make regular backups and to produce hard copy regularly of any records maintained electronically.
- v) to prepare a statement of accounts annually which should be audited by the Lodge Audit Committee, and
- vi) to present the accounts in Open Lodge for approval.

The same procedure of annual accounts, audit and presentation to members shall be followed in relation to any other funds maintained by the Lodge whether by the Treasurer or some other member. It is not obligatory for the Treasurer to be a signatory on cheques drawn on such funds or to be the person who keeps the books of account. It is however essential that the bank at which funds are held as well as the signatories on the respective accounts be approved by resolution of the Lodge.

In cases of doubt reference should be made to the full text of Rule 153 and to the accompanying Commentary provided by the Board of General Purposes (see **Appendix A**).

b. Provincial Grand Lodge By-laws

Provincial Grand Lodge By-law No 14 (Lodge Accounts) requires that:

Lodge accounts must be maintained and presented to the Lodge Members in accordance with Rule 153 Book of Constitutions.

A copy of the accounts and of the Audit Committee's Certificate must be sent to the Provincial Grand Secretary at the same time as the Lodge Summons for the meeting at which they will be presented.

c. Financial Stewardship

The Lodge Treasurer should conduct the financial affairs of his Lodge having regard to his duty of care to his Brethren, the rules set out in the Book of Constitutions, the Provincial By-laws, the By-laws of his own Lodge and the requirements of his Brethren expressed in open Lodge.

Each year the Treasurer should prepare an annual Budget and ensure that Lodge subscriptions are adequate to cover Lodge expenditure.

When appropriate the Treasurer will:

- a) Review Lodge investments and act in such a way as to ensure the safety of funds and documents of title.
- b) Ensure that dining fee charges cover the cost of meals.
- c) Ensure that insurance is in place for all Lodge assets.
- d) Ensure that all monies received are banked promptly.
- e) Ensure that subscriptions are received on a timely basis. A report should be given to the Lodge Committee with regard to

non-payment of subscriptions in order that appropriate action can be taken.

- f) Ensure that all expenditure is duly authorised.

3. INCOME & EXPENDITURE ACCOUNT AND BALANCE SHEET

a. Income & Expenditure Account

A specimen Income and Expenditure Account is shown for guidance in **Appendix C**.

The Income and Expenditure account sets out by category the income and expenditure relating to the normal running of the Lodge and arrives at the surplus or deficit for the financial year.

Unlike a Receipts and Payments Account, which shows only money actually received or paid, the Income and Expenditure Account is prepared on an accruals basis and includes all income and expenses relating to the financial year whether or not the money has been received or paid during the year.

It should be noted particularly that Grand Lodge and Provincial Grand Lodge dues are payable in arrears. An accrual will therefore be required for these if they have not been paid during the year to which they relate.

The example, which follows, illustrates the adjustments which may be necessary to convert the receipts for subscriptions to the income disclosed in the Income and Expenditure Account.

Lodge Subscriptions

Cash received during the year as per the Lodge Cash Book	9945
Add amounts received in previous years, which relate to current year	195
	10140
Less amount received in the current year related to previous year	190
	9950
Add amounts relating to the current year which have not been received	0
	9950
Less amounts received in the current year which relate to future years	200
Subscriptions per Income and Expenditure Account	9750

b. Balance Sheet

A specimen Balance Sheet is shown for guidance at **Appendix D**.

The Balance Sheet is a statement of the Lodge's affairs at the accounting date. Other Lodge funds such as Benevolent & Charity funds should be accounted for separately.

The Balance Sheet is concerned with the Lodge's assets and liabilities rather than its income and running costs which are dealt with in the Income and Expenditure account.

Assets consist not only of property or things possessed, but of an advantage to which a money value can be attributed separately. The term therefore includes:

- a) Property of all kinds, such as money, goods and buildings
- b) Debts due from members, and
- c) Goods and services paid for in advance.

Liabilities consist of the claims of outside individuals or suppliers and would include:

- a) Bank overdraft
- b) Goods and services received not yet paid for
- c) Loans
- d) Rents payable, and
- e) Taxation liabilities.

The Lodge Balance Sheet at the financial year end should show the assets and liabilities in appropriate detail and normally in the following order:

Fixed assets - normally of a long term nature and could include property and long term investments;

Current assets - including debtors, prepaid expenses and cash balances and deposits;

Current Liabilities - including accounts for payment outstanding at the year end, bank overdrafts, taxation and any other liabilities or loans of a current nature;

Long Term Liabilities - loans of a long term nature.

The **Net Assets** (i.e. the total assets less the total liabilities) should agree to the total of the **General Fund** which represents the accumulated surpluses of the current and prior years.

c. Accounts Preparation

The Income and Expenditure Account and Balance Sheet are usually prepared from the lodge cash book. An example showing various stages in the completion of the annual accounts is given in **Appendix E**.

4. RECORDS & RESPONSIBILITIES

a. Cash Book (Receipts and Payments Account)

Lodges need to maintain a cash book. The use of a computer spreadsheet to produce a columnar cash book giving an ongoing analysis of receipts and payments is recommended.

The analysis shown in the cash book should distinguish between the major sources of **income** (e.g. subscriptions, interest, dining fees, etc) and **expenditure** (e.g. rent or precept, meal costs, Grand Lodge dues, Provincial Grand Lodge dues, printing and stationery, postage, etc).

The cash book should be balanced monthly.

See Appendix F for a typical cash book layout.

b. Lodge Funds

It is necessary, in order to comply with Rule 153 BoC that all money held for the Lodge be paid into a bank account. **All accounts** (Bank current and deposit accounts, Building Society accounts etc.) **must be in the name of the Lodge.**

Money for ongoing running costs should be paid into a current account. Any surplus funds should be transferred to an interest earning deposit account or Building Society deposit account.

Bank statements should be obtained on a regular basis, preferably monthly, and reconciled with the cash book.

It is recommended that Lodge Treasurers should:

- a) Pay all receipts into the current account
- b) Pay all amounts due by cheque
- c) Issue receipts for income received where appropriate or requested keeping a copy for Lodge records

- d) Obtain invoices or receipts for all payments made on behalf of the Lodge
- e) Reconcile the cash book with the bank statement, and
- f) Prevent unnecessary payment of bank interest or charges.

c. Members Subscription Record

The Treasurer must maintain a record showing the indebtedness, or credit, of each subscribing member.

The record should show the member's name, amount due and amount received. The total amount shown as received in the financial year must agree with the cash book.

See Appendix G regarding non-payment of subscriptions.

d. Lodge Investments and Properties

Lodges with funds to invest must seek advice from a reputable financial advisor. At all times the security of funds for the benefit of members should be the overriding consideration.

Wherever possible investments **MUST** be held in the name of the **LODGE** (and not by any individual(s)). In all other cases investments should be held by trustees appointed by the lodge.

Trustees will need to be appointed where a lodge is the owner or part owner of a Masonic Hall or holds shares in a company owning a Masonic Hall.

The treasurer is responsible for the safe keeping of all documents of title relating to investments or properties.

e. Lodge Inventory

An up to date inventory of all Lodge property should be maintained.

This can range from ordinary building contents to the smallest items of Lodge regalia, depending on the local arrangements for sharing the

buildings and Temple furnishings. Some Side Degrees share regalia and it is essential that one of them has a comprehensive record.

It is also essential that everything owned by the Lodge, that would need to be replaced if stolen or beyond repair, is accurately documented. Where items are particularly valuable, or of unusual design (e.g. globes, clocks, china etc) it is advisable to have them photographed for use in any insurance claim or dealings with the Police.

Where replacement costs cannot be readily identified from catalogues, it is advisable to have these articles valued.

The Lodge Treasurer will usually be required to ensure that adequate insurance cover is in place for Lodge assets and if appropriate advice should be obtained from an insurance company or intermediary specialising in insurance for Masonic lodges.

f. Taxation

Grand Lodge advises (IFGMC):

'Where Lodges own property, investments or bank deposits there is a duty to declare the income derived and, except where the income consists of dividends from UK resident Companies, to pay Corporation Tax thereon. Any liability to Corporation Tax will be reduced by income tax suffered at source on the income.'

Grand Lodge circular of July 1994 at **Appendix H** sets out the position. Under the 1993 Rules a Lodge was required by law to complete a return (form CT200). Lodges which had not previously had any contact with Revenue & Customs (formerly the Inland Revenue) were advised to write to the Tax District in which the Lodge operates. Revenue & Customs would sometimes reply that a return form was not necessary if the Lodge's untaxed investment income was modest. For accounting periods ending after 31 March 2010 any necessary return must be lodged electronically.

A zero Corporation Tax band for profits (including interest, rents and capital gains) not exceeding £10,000 per annum was introduced from 1 April 2002 but withdrawn from 1 April 2006. Lodges are therefore now potentially liable to Corporation Tax on their investment income and capital gains regardless of the amount. However in a statement issued on 25 August 2006 Revenue & Customs indicated that it will not require

returns or seek to collect Corporation Tax from clubs and other unincorporated organisations (which includes Lodges) if the annual tax liability is not expected to exceed £100.

If interest from a bank or building society is received after deduction of Income Tax the Income Tax can be offset against any Corporation Tax liability or reclaimed. However banks should pay interest to a Lodge without deduction of tax on being satisfied that it is within the scope of Corporation Tax and building societies will normally do so on completion of form 38(INP) or their own equivalent form.

Normally there is no tax payable on a surplus from normal Lodge activities (e.g. subscriptions less Lodge expenses) or on bar profits or similar activities when run by the Lodge for its own benefit.

These notes are intended for general guidance only and are not exhaustive. Lodges in any doubt should consult Revenue & Customs or obtain relevant professional advice

5. AUDIT REQUIREMENTS

a. Book of Constitutions (Rule 153)

All Lodge accounts must be audited by a committee of the Lodge Members, elected annually for that purpose in accordance with Rule 153 BoC.

b. Election of Audit Committee

Brethren elected to the Audit Committee in accordance with Lodge By-laws should be senior members of the Lodge. They should not hold any active office involving the handling of Lodge funds. They should also be independent of any executive decisions directly or indirectly affecting the finances of the Lodge.

c. Scope of the Audit

It is the duty of the Audit Committee to check the Income and Expenditure Account and Balance Sheet for accuracy and to ensure that they agree with the books and records of the Lodge, and also to ensure that the prime books and records agree with appropriate vouchers and other supporting evidence.

It is important that the balance in the cash book is compared and agreed to that shown on the relevant bank statement. Where Lodges own property or hold investments the Audit Committee must vouch for the existence and whereabouts of title deeds, stock or share certificates and agree such documents with holdings or balances shown in the accounts.

d. Audit Report

The Audit report must be appended to the accounts and signed by the Audit Committee and confirm that the Auditors have complied with their responsibilities under Rule 153 BoC and Lodge By-laws. A specimen Audit Report is shown at the foot of the Balance Sheet in **Appendix D**.

e. Members' entitlement to receive Audited Accounts

All Lodge members are entitled to a copy of the Accounts, Balance Sheet, and Auditor's Report (Rule 153 BoC).

The accounts must be approved in open Lodge not later than the third meeting after the date to which the accounts refer. Individual Lodge By-laws may impose a stricter timetable.

The Master, Treasurer, or Auditors should NOT propose or second the adoption of the accounts.

f. Other Lodge Funds

Proper books of accounts shall be kept (whether by the Treasurer or by a Charity or other Steward) for all other Lodge funds and the same procedures for the control of funds, preparation of annual accounts, audit and presentation to Lodge members should be followed. Such funds might include Social or Dining funds in addition to Benevolent and Charity funds.

Only the accounts relating to Benevolent and Charity funds need to be submitted to Provincial Grand Lodge.

Whilst recognising that the management of Masonic Halls is a matter for the individual Management Committees or Companies concerned the Provincial Grand Master considers that similar controls and procedures should be applied.

6. BUDGETS

The Treasurer should prepare a Budget for consideration and agreement by the Lodge Committee prior to proposing the Lodge subscription in open Lodge.

The Budget should set out clearly the anticipated Lodge expenditure using the same analysis as in the Income and Expenditure Account and demonstrate that the proposed subscription is adequate to cover costs.

The Treasurer should be able to provide the Lodge Committee with detailed explanations and assumptions for all significant items of expenditure in the Budget.

During the year the Treasurer should provide the Lodge Committee with a regular report showing actual expenditure compared to Budget and a statement showing subscriptions received and in arrears. If a deficit (i.e. excess expenditure over Income) is anticipated the Treasurer must explain to the Lodge Committee how the deficit is to be funded (e.g. use of reserves) and what steps he proposes to prevent a recurrence.

Example of a Budget Calculation

Member Related Costs/Charges

50 Members	x Grand Lodge dues @ 40.00	2000.00
	x Prov. G.L. dues @ 12.00	600.00
	x Masonic Hall Charges @ 120.00	6000.00
		<u>8600.00</u>
Running Costs:	Printing and Stationery	500.00
	Postage	150.00
		<u>650.00</u>
Other Costs:	Past Master's Jewel	80.00
	Other Expenses (detailed if significant)	50.00
		<u>130.00</u>
<u>TOTAL COST FOR YEAR</u>		<u>9380.00</u>
INCOME		
	Interest receivable (est)	100.00
Net costs for the year		<u>9280.00</u>

Calculation of proposed annual subscription is:

$$\begin{array}{rclcl}
 \text{Net Costs} & = & 9280.00 & = & 185.60 \\
 \text{-----} & & \text{-----} & & \\
 \text{No. of members} & & 50 & &
 \end{array}$$

APPENDIX A

RULE 153 – TREASURER'S DUTIES AND LODGE ACCOUNTS

(As amended 12 June 2013)

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. 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.

(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 two members authorised by the Lodge, of whom one shall, unless it is impracticable, be the Treasurer.

(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. 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.

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

(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 moneys receivable from individual members of the Lodge or any of its Officers.

EXTRACTS FROM THE PROCEEDINGS OF THE QUARTERLY COMMUNICATIONS OF GRAND LODGE ON 13 MARCH 2013 REGARDING RULE 153

Statement by the President of the Board of General Purposes

A significant part of the Board's Report is given over to the Treasurer's duties and Rule 153 of the Book of Constitutions and I believe that that is the only matter that calls for comment from me.

The Board has become aware of the extent to which regulations and banking practice aimed at the prevention of money-laundering have made the operation of Lodge bank accounts increasingly difficult. This is particularly the case when there has to be a change of Treasurer or of other signatories on a bank mandate. It accordingly recommends that the requirement that every cheque be signed by the Treasurer and (unless otherwise resolved by the Lodge) at least one other member be replaced by a requirement that every cheque be signed by two authorised members of whom one shall be the Treasurer unless it is impracticable. The Board has it in mind that a prudent Lodge should ensure that there are always *at least two* Brethren (apart from the Treasurer) so authorised and that any Brother likely to become Treasurer be already an authorised signatory so as to reduce, if not completely eliminate, any delay while a bank satisfies itself of his *bona fides*.

The Board has also taken account of the increased use of electronic banking in modern life and wishes to make it possible for Lodges to take advantage this development in the conduct of their financial affairs. It believes that a Lodge authorising the Treasurer, and only the Treasurer, to make electronic payments acknowledges the difficulty and potential additional cost of operating a dual signatory system electronically. It should not need saying that only Brethren regarded as trustworthy should be elected to the office of Treasurer and that the process of audit required by the Rule is designed to ensure that a Lodge can remain satisfied in this respect.

COMMENTARY ON RULE 153

(Extract from Report of Board of General Purposes adopted 13 March 2013)

The Board has recently given consideration to the provisions of Rule 153 of the Book of Constitutions and whether any amendment is desirable in the light of current conditions. It has concluded that the Rule is not only clear in its scope and intent, but, except in relation to electronic transfers, is no less applicable today than when it was originally framed. Nevertheless it considers that the Rule would be more readily understood if it were slightly amended and recast into separate paragraphs.

The Board also considers that the misunderstandings which periodically arise as to the proper application of the Rule will be reduced, if not eliminated, by a commentary on its provisions. It therefore hopes that the Grand Lodge will endorse the following statement, which also draws together under a single heading several previous references to the same subject-matter. The numbering of the statement follows the proposed renumbering of the Rule into paragraphs:

(a) Except where a payment is made direct into the bank account of a Lodge, it is the Treasurer to whom all subscriptions or other moneys due to the Lodge are to be paid, and he alone can give a discharge. That is not to say that a Brother cannot send cash or his cheque via the Secretary or some other Brother, but he does so at his own risk until the money reaches the Treasurer (or the Lodge's account).

The words "without undue delay" deliberately leave some flexibility to the Treasurer as to the time within which moneys must be deposited (which is largely a matter of common sense, depending on the amount involved and the Treasurer's location and circumstances); the important word is "undue". In appropriate circumstances the Treasurer may reasonably delegate the task of paying in moneys to a trusted individual, but there should be no further delegation by the individual so chosen.

The bank and, where appropriate, the branch must be approved by a resolution passed in open Lodge, so that it may be known to the members and duly minuted; under no circumstances may this be delegated to the Lodge Committee. Similarly, if it is wished to enable the Lodge to make use of electronic banking, a resolution must be passed by the Lodge

authorising the Treasurer to make electronic payments from the Lodge's account. *Only* the Treasurer may be so authorised.

(b) The Treasurer is primarily responsible for making payments out of the Lodge funds under his control, provided that they are for authorised purposes (e.g. regular payments such as Grand Lodge dues or dining charges) or have been specifically approved by the Lodge (in which connection, see the model by law "Payment of any sum exceeding £ __ if for other than ordinary purposes may be made only by resolution of the Lodge, of which notice has been given on the summons, except in a case of emergency when such payment may be authorised by the Master and reported to the Lodge at the next regular meeting.").

The Treasurer must normally sign every cheque. Since he has responsibility for the safe keeping of the Lodge's funds it is right that he retain control over payments and it would be inequitable that others should be permitted regularly to make payments without his knowledge. Under the Rule, in its amended form, the Treasurer can be solely authorised to make electronic payments, but two or more signatures (one of which must normally be that of the Treasurer) will in future be required on every cheque. The second signatory should be one out of *several* Brethren authorised for the purpose; any such authorisation must be of a named Brother (rather than the holder of a particular office) and must be given by resolution passed in open Lodge; under no circumstances may this be delegated to the Lodge Committee. Every signatory is under a duty to satisfy himself that the sum stated in every cheque he is called upon to sign is properly due from Lodge funds.

(c) The traditional method of the Treasurer keeping a record of the moneys which pass directly or indirectly through his hands is by the use of a cash book. There can be no objection to the cash book taking an electronic form such as a spreadsheet, but in that case it is essential not only that regular "back-ups" are made of the electronic record but also that the data is printed out regularly and kept as "hard copy", so that there is available a written record showing every transaction. Some flexibility is implied by the word "regularly" in the Rule, and a similar degree of flexibility should apply to the printing out of data held electronically; it is

suggested that whenever a significant amount of money flows in or out of the Lodge's funds a hard copy should be made.

A Lodge's accounting year does not have to be the same as its subscription year (although that is usually the case), but any change requires a resolution of the members passed in open Lodge.

The Brethren elected to the Audit Committee should generally be senior members and, wherever possible, they should also be Brethren with some knowledge of accountancy or book-keeping. The practice adopted in some Lodges of appointing only junior members to the Audit Committee (unless they do have significant knowledge of accountancy or book-keeping) is disapproved and should be discontinued.

(d) The form of the certificate of the Audit Committee is effectively set out in this paragraph of the Rule, and it should be noted that the audited accounts bearing the certificate must be sent out with the Lodge's summons so that every member has the opportunity to raise any issues whether or not he is able to be present at the meeting. For this reason it is not permissible for the accounts to be distributed at the meeting at which they are to be considered.

(e) *Every* fund maintained by or in connection with the Lodge must be the subject of annual accounts, which must be audited and formally presented to the Lodge. This paragraph does not require that the Lodge's Treasurer be a signatory on cheques making payments from those funds, or that he be the person who keeps their accounts. It is, however, essential that the Lodge approve the bank at which such funds are held as well as the signatories on the respective accounts.

APPENDIX B

GUIDANCE ON FINANCIAL MATTERS

ALMS COLLECTION

Any collection taken in the Lodge should be directed to the Lodge Alms Account or Benevolent Fund, held by the appropriate Officers of the Lodge, and used solely to provide necessitous support for Lodge members and their dependents who are in need.

RAFFLES

There is an edict from Grand Lodge on this subject which is contained in the booklet 'Information for the Guidance of Members of the Craft'. Whilst the edict refers to Lotteries it equally applies to raffles. However clarification is required on two points:

1. Raffles cannot be used to defray the general running expenses of a Lodge or Province. The view of Grand Lodge is that the general running expenses of a Lodge or Province should be met by the members, or from investments held on behalf of members, and be able to be demonstrated as such in the accounts.
2. The edict states that a lottery should, in general, be used to raise money only for:
 - a) charity,
 - b) other benevolent purposes, or
 - c) other specific object not directed to private gain

The RW Provincial Grand Master will not permit raffles to be held for the purpose of raising funds for general Lodge expenses, or augmenting the Lodge Almoners Fund or Lodge Benevolent Account to provide support for the dependants of Lodge members. Such expenses are the responsibility of the Lodge members.

If a raffle is to be held, then the purpose of the raffle must be clearly stated before the sale of any tickets or before Brethren are asked to contribute through the popular envelope system. It is not acceptable to say that the raffle is to be held for "Masonic Charities" or "Charity".

(Information for the Guidance of Members of the Craft - Lotteries)

(Provincial Grand Master's Address to Provincial Grand Lodge – May 2008)

LODGE SOCIAL FUNCTIONS

Lodge funds cannot be used to defray the cost of presentations to Ladies or to meet any deficit in the running of Ladies' Nights or similar social functions. A Ladies' Night is not a Masonic function and, as such, must not in any way be subsidised from Lodge Funds. If any such payments are found in Lodge Accounts it is the undoubted duty of the Lodge Auditors to draw attention to them and to ensure that such irregularities are at once rectified.

(Information for the Guidance of Members of the Craft – Grants from Lodge Funds, Treasurer's Duties and Lodge Accounts)

INCOME DERIVED FROM INVESTMENTS

Where Lodges own property, investments, or bank deposits there is a duty to declare the income derived and, except where the income consists of dividends from UK-resident companies, to pay Corporation Tax thereon. Any liability to Corporation Tax will be reduced by income tax suffered at source on the income. This general liability to tax on investment income does not arise if the investments have been irrevocably transferred to a Benevolent Fund which has been placed in trust for charitable purposes with the approval of the local Revenue authorities.

(Information for the Guidance of Members of the Craft – Lodge Income derived from Investments)

LODGE INSURANCES

Lodges are reminded of the continued advisability of insuring against public liability, against loss of or damage to Lodge equipment, furnishing and loss of cash. Combined policies covering these various headings are issued by several Insurance Companies but should any difficulty be experienced in effecting suitable policy then advice may be obtained from the Provincial Office.

(Information for the Guidance of Members of the Craft – Lodge Insurances)

LODGE FESTIVE BOARDS

It has been reported that in some instances individuals are being called upon to pay the entire costs of the after-proceedings. The Board finds it necessary to state plainly that no Brother, and particularly no Candidate and no Master, should in any circumstances be required to pay for meals provided for anyone other than himself and his personal guests.

(Information for the Guidance of Members of the Craft – Lodge After-Proceedings)

CHARITY

Continuous giving to charity has been a regular feature of this Province. Brethren and Lodges are encouraged to channel their charitable giving through West Riding Masonic Charities Limited (WRMCL). This will allow local non-Masonic charities or organisations to be supported on a regular basis through the PGM's Fund. Also to enable WRMCL to make emergency grants for the relief of needy brethren and their dependants within the Province. Donations to other Masonic Charities can be made through WRMCL, which will enable the Gift Aid declaration held by WRMCL, on behalf of the Brother concerned, to be used to reclaim tax without any further documentation.

Lodge Charity Stewards should ensure they follow the directions issued from time to time relating to record keeping and remit money to WRMCL on a regular basis and encourage Brethren to make use of Gift Aid and Standing Order facilities where ever possible.

(West Riding Masonic Charities Leaflet – 2011)

LODGE TRUSTEES

A number of questions have been raised relating to Lodge Trustees.

If a Lodge has Trustees appointed both the Lodge and the Trustees must be aware of the purpose for which they are acting as Trustees. It is usual for Lodges to appoint Trustees where a Lodge has property (real or otherwise), or Funds held in Trust.

There is a misconception that Lodges have to appoint Trustees to hold the funds of the Lodge. Rule 153, Book of Constitutions, makes it clear that the Lodge Treasurer has responsibility for all moneys due to, or held for the Lodge. There are situations where a Lodge may have a Trust Fund, usually as the result of a legacy, in such situations the Lodge may have appointed Trustees to hold and administer the fund.

Masonic Halls may be held in the names of Trustees or alternatively may be owned by a limited company with the shares in the company held by Trustees. In such cases the Trustees normally hold the property or the shares in the company owning it on behalf of some or all of the Lodges meeting there.

Lodges have incurred unnecessary expense by having to apply to the Courts to appoint Trustees of their real property after it was discovered

that all of the Trustees named in a Deed had long since died or were no longer eligible to act as such. Lodges are therefore reminded of the edict of Grand Lodge that it is the duty of the Secretary of the Lodge to keep a list of the names and addresses of the Trustees and check periodically that he is aware of their situation. It is also advisable to record where a copy of the Trust Deed is held.

Where for any reason a Trustee ceases to be able to exercise his responsibilities, the Lodge should take prompt action to ensure that a new Trustee is appointed in accordance with the terms of the Deed.

Lodges are also asked to ensure that their Trustees are adequately insured for their liability.

*(Information for the Guidance of Members of the Craft – Lodge Trustees)
(Guidance issued from Province in October 2009)*

MASONIC HALLS

The RW Provincial Grand Master is anxious to ensure that all Masonic Halls have appropriate procedures in place to safeguard against financial irregularities and protect the interests of the Freemasons who meet there. Whilst recognising that the management of Masonic Halls is a matter for the individual Management Committees or Companies concerned, the RW Provincial Grand Master considers that certain minimum procedures should be in place in all cases.

More specifically the Provincial Grand Master feels that Management Committee or Company cheques should be signed by a minimum of two signatories and that under no circumstances should a signatory sign a cheque unless details of the amount and payee have been inserted and supporting documentation for the payment has been produced. This is not questioning the honesty or integrity of the individuals but merely follows accepted prudent business practice.

The Provincial Grand Master would also expect that normal business prudence be similarly exercised in order to try to project future income/expenditure and capital expenditure trends. Considering the next two or three years is not unusual and may highlight areas of difficulty that, if addressed without delay, could avert later problems. If any such difficulties are foreseen then it is only proper that the participant/subscribing Lodges, Chapters, etc., are made aware at the earliest opportunity to allow them to make their own projections and consider any options open to them.

Management Companies will normally be able to claim exemption from audit under the Companies Acts and similarly there may often be no formal obligation for Management Committees to have their accounts audited. The Provincial Grand Master wishes to encourage all Management Committees and Companies to produce detailed annual accounts for circulation to Lodges, Chapters and other Orders meeting in the Masonic Halls concerned. He does not wish to cause Management Committees and Companies to incur undue expense by advocating an independent external audit in all cases, but suggests that where accounts are not subject to external audit an audit committee should be established comprising Brethren not directly involved in the management of the Masonic Hall, whose responsibility would be to submit the accounts to independent scrutiny.

The Provincial Grand Master would expect those involved in the management of Masonic Halls to uphold the dignity and high standing of the Craft. Any failure to do so may reflect adversely upon Freemasonry and in such a situation those concerned would be rendering themselves liable to Masonic discipline.

(Direction from the Provincial Grand Master in October 2009)

APPENDIX C

MASONIC LODGE

Income and Expenditure Account For the Year Ended 31 December 20X1

	20X1		20XX	
	£	£	£	£
Income				
Subscriptions		9500		9150
Initiation fees		75		
Joining fees		30		
Interest		130		90
		<u>9735</u>		<u>9240</u>
Expenditure				
Grand Lodge dues		2050		1980
Provincial Grand Lodge dues		620		580
Meals	4250		3860	
Less: Dining fees	<u>4175</u>	75	<u>3820</u>	40
Rent/Precept		6000		5800
Printing & stationery		500		480
Postage		150		140
Past Master's Jewel		80		80
Other		105		50
		<u>9580</u>		<u>9150</u>
Surplus for the year		<u>155</u>		<u>90</u>

APPENDIX D

MASONIC LODGE

Balance Sheet at 31 December 20X1

	20X1 £	20XX £
Assets		
Current assets		
Subscriptions in arrears	190	183
Building society balance	6500	6500
Bank balance	3418	3095
	<u>10108</u>	<u>9778</u>
Current liabilities		
Grand Lodge dues	2050	1980
Provincial Grand Lodge dues	620	580
Subscriptions in advance	195	190
Other creditors	335	275
	<u>3200</u>	<u>3025</u>
Net assets	<u>6908</u>	<u>6753</u>
Representing:		
General Fund		
Balance at 1 January 20X1	6753	6663
Excess of Income over Expenditure	155	90
Balance at 31 December 20X1	<u>6908</u>	<u>6753</u>

.....(Worshipful Master)

.....(Treasurer)

Report of the Audit Committee to the Members of Masonic Lodge No. 9999

We have examined the books vouchers and other records of the Lodge and verified the bank and other balances and confirm that the Income and Expenditure Account for the year ended 31 December 20X1 and Balance Sheet at 31 December 20X1 are in accordance therewith.

.....(Auditor)

.....(Auditor)

.....(Date)

APPENDIX E

Preparation of Annual Accounts

The annual accounts are built up from:

1. The Balance Sheet at the beginning of the year
2. The receipts and payments during the year as shown in the Cash Book
3. Adjustments required at the end of the year.

This can be done by means of a schedule as shown in the example which follows.

You are preparing the Lodge accounts for the year ended 31 December 20X2.

1. The Lodge Balance Sheet at 31 December 20X1 is

Grand Lodge Dues	2050	Subscription in arrears	190
Provincial Grand Lodge Dues	620	Building society balance	6500
Subscriptions in advance	195	Bank balance	3418
Creditors	335		
General Fund	6908		
	-----		-----
	10108		10108
	-----		-----

Enter these figures in Part 1 of the schedule as shown

2. The entries in the Cash Book for the year 20X2 are summarised and show

Receipts		Payments	
Opening balance	3418	20X1 creditors	335
Subscriptions		Grand Lodge dues 20X1	2050
20X1 arrears	190	Provincial dues 20X1	620
20X2	9555	Meals	4095
20X3 in advance	<u>200</u>	Rent/Precept	6200
Interest received	120	Printing & stationery	540
Dining fees received	4360	Postage	160
		Past Master's Jewel	80
		Other	175
		Closing balance	3588
	-----		-----
	17843		17843
	-----		-----

Enter these figures in Part 2 matching receipts and payments relating to 20X1 against the opening balances in Part 1.

3. Adjustments

Consider each item of Income and Expenditure and decide if any adjustment is required for

- a) any item received or paid in 20X1 which relates to 20X2.
- b) any item received or paid in 20X2 which relates to 20X3 rather than 20X2.
- c) any item relating to 20X2 which has not yet been received or paid.

Adjustments should be kept to a minimum and any small items should be ignored as they will have no significant effect on the accounts. It is very important to remember that each adjustment must be reflected twice in the accounts – once in the Income and Expenditure Account and once in the Balance Sheet.

On carrying out this exercise you find

- a) that a subscription of £195 relating to 20X2 was received in 20X1.
- b) that a bill for meals amounting to £325 relating to 20X2 was not paid until 20X3.
- c) that Grand Lodge dues of £2000 relating to 20X2 were not paid until 20X3.
- d) that Provincial Grand Lodge dues of £600 were not paid until 20X3.

Enter adjustments as follows in Part 3:

- a) Apply the £195 brought forward under Subscriptions in Advance to increase the income from Subscriptions.

Credit Subscriptions £195 and debit Subscriptions in Advance £195.

- b) Increase Cost of Meals by £325 and add to Other creditors in the Balance Sheet.

Debit Cost of Meals £325 and credit Other creditors £325.

- c) Show £2000 under expenditure as the cost of Grand Lodge dues and as a liability in the Balance Sheet.

Debit Grand Lodge dues £2000 and credit the liability for Grand Lodge dues £2000.

- d) Show £600 under expenditure as the cost of Provincial Grand Lodge dues and as a liability in the Balance Sheet.

Debit Provincial Grand Lodge dues £600 and credit the liability for Provincial Grand Lodge dues £600.

The three elements (opening balance sheet, cash book entries and adjustments) can now be joined together by adding across the columns in the schedule to give the figures for the Income & Expenditure Account or Balance Sheet as appropriate.

The figures in these two sections make up the annual accounts and may be shown as follows:

Income and Expenditure Account
Year ended 31 December 20X2

Income	
Subscriptions	9750
Interest	<u>120</u>
	9870
Expenditure	
Grand Lodge dues	2000
Provincial Grand Lodge dues	600
Meals	4420
Less Dining fees	<u>4360</u>
	60
Rent/Precept	6200
Printing & stationery	540
Postage	160
Past Master's Jewel	80
Other	<u>175</u>
	9815
Surplus for the year	<u>55</u>

**Balance Sheet
at 31 December 20X2**

Current assets	
Building society balance	6500
Bank balance	<u>3588</u>
	10088
Current liabilities	
Grand Lodge dues	2000
Provincial Grand Lodge dues	600
Subscription in advance	200
Other creditors	<u>325</u>
	3125
Net assets	<u>6963</u>
Representing	
General Fund	
Balance at 1 January 20X2	6908
Surplus for the year	<u>55</u>
Balance at 31 December 20X2	6963

Accounts Balance	Credit	2000	600	200	325	6908	55	10088

MASONIC LODGE
Account Preparation Schedule
Year ended 31 December 20X2

	Part 1 Balance Sheet 31 December 20X1		Part 2 Cash Book		Part 3 Adjustments		Income & Expenditure Account		
	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
Balance Sheets									
Subscription in Arrears	190			190					6500
Building Society	6500		3588	3418					3588
Bank	3418		2050		2000				
Grand Lodge Dues		2050	620		600				
Provincial Grand Lodge Dues		620							
Subscriptions in advance		195		200	195	a			
Other Creditors		335	335						
General fund		6908							
	10108	10108	17843	17843	3120	3120	14230	14230	10088
Income & Expenditure Account									
Subscriptions				9555		195	9750		
Interest				120			120		
Grand Lodge Dues					2000	c	2000		
Provincial Grand Lodge Dues					600	d	600		
Cost of meals			4095		325	b	4420		
Dining Fees				4360				4360	
Rent/Precept			6200				6200		
Printing & stationery			540				540		
Postage			160				160		
Past Masters Jewel			80				80		
Other			175				175		
Surplus							55		
	10108	10108	17843	17843	3120	3120	14230	14230	10088

APPENDIX F

MASONIC LODGE													
Cash Book													
Year ended 31 December 20X2													
Date	Details	Description	Bank	Subscrip tions	Interest	Dining Fees	Meal Costs	UGLE & PGL Dues	Rent/ Precept	Printing & Stationery	Postage	PM Jewel	Other
01/01/X2	Opening balance	Anybank plc	3418										3418
08/01/X2	Bro AB re 20X1	Subscription	190	190									
10/01/X2	Bro CD	Subscription	195	195									
15/01/X2	15 brethren (list)	Subscriptions	2925	2925									
31/01/X2	Dining fees	January	440			440							
31/01/X2	A Caterer & Co	Dec meals	-335				-335						
31/01/X2	UGLE	20X1 Dues	-2050					-2050					
31/01/X2	Provincial Grand Lodge	20X1 Dues	-620					-620					
15/02/X2	A Caterer & Co	January Meals	-435				-435						
28/02/X2	20 brethren (list)	Subscriptions	3900	3900									
28/02/X2	Dining fees	February	430			430							
Remainder of year (in summary)													
				2535									
				3490		3490							
				120	120								
				-3660			-3660						
				-6200					-6200				
				-540						-540			
				-160							-160		
				-80								-80	
				-175									-175
				200									200
31/12/X2	Closing balance		3588	9945	120	4360	-4430	-2670	-6200	-540	-160	-80	3283

APPENDIX G

Non-Payment of Subscriptions

Exclusion and cessation of membership (rules 148 and 181 B.C.)

- a) Under Rule 148 should the subscription of a member to his Lodge remain unpaid for two full years, at the expiration of that period he shall **cease** to be a member of the Lodge (as distinct from being excluded). Cessation must be reported at the next Lodge meeting.
- b) A member may be **excluded** under Rule 181 for non-payment of subscriptions after a shorter period than prescribed under Rule 148, if provided for in the Lodge By-laws (six months is recommended), following a ballot and after notice in writing has been given to the Brother concerned and to the members of the Lodge.
- c) If a Brother is excluded, or ceases membership, he can become a member again only by regular proposition and ballot (Rule 163) after payment of arrears as a condition of election.
- d) Cessations under Rule 148 and exclusions under Rule 181 must be notified to Grand Lodge and Provincial Grand Lodge without delay.
- e) To 'Exclude' a Brother means to terminate his membership of the Lodge **not** the Craft. The term 'Expelled' is used only when a Brother is removed from the Craft by Grand Lodge.

APPENDIX H

UNITED GRAND LODGE OF ENGLAND

**FREEMASONS HALL
GREAT QUEEN STREET
LONDON, WC29 5AZ**

Our Reference: CASHIER/G.SEC/DH

Your reference:

July, 1994

Dear Sir and Brother,

CORPORATION TAX RETURNS – PAY AND FILE

On 1st October, 1993 the new 'Pay and File' tax rules for clubs and associations came into force. These require all clubs and associations to complete a tax return, within twelve months of the end of their accounting year. Failure will cause a fixed penalty to be imposed.

For the purpose and intent of these rules, all Lodges and Chapters are considered to be 'clubs and associations' and the Secretary or Scribe E must ensure that the proper returns are made on time.

Some Lodges and Chapters have already received a blank form of Tax Return (Form CT200) for completion. Others will receive a Form CT203 'Notice to deliver a Corporation Tax Return'. But, if a tax return or notice has not been received, the local Inspector of Taxes must be informed. Even if there is NO liability to pay Corporation Tax a CT200 is still to be requested for completion. Once completed the form, together with a copy of the Lodge or Chapter's annual accounts (i.e. General, Charitable, Benevolent, Social etc) is to be forwarded to the local Tax Inspectors for assessment.

Lodge and Chapter subscriptions and contributions by individual members are not normally regarded as taxable income. Similarly, the expenses of running the Lodge or Chapter is not normally regarded as being allowable against tax. Therefore, any surplus or deficit will not usually be taken into account in considering Corporation Tax liability.

In the June 1994 Newsletter under the Financial Notice, I drew all Treasurers' attention to page 14 of the booklet 'Information for the Guidance of Members of the Craft' and

the requirements to declare all income derived from Investments to the revenue authority. For the purpose of 'Pay and File' this should be assumed to cover all interest received from banks and building societies, dividends and other similar investment income. Any capital gains will be subject to tax.

Your attention is particularly drawn to page 3 of the notes that accompany Form CT200 which show that only sections 1, 2 and 4 plus the declaration on page 1 will need to be completed. It is strongly recommended that Lodges and Chapters obtain Form IR46 'Income Tax and Corporation Tax Clubs, Societies and Associations' which will be found to be most helpful.

The legislation is not complicated and it is anticipated that most Lodges and Chapters will be unaffected, but it is essential that appropriate returns are completed and submitted with the annual accounts within the prescribed period. The filing deadline is normally 12 months after the end of the accounting year. Failure to do so will incur penalties which start at £100, rise to £200 after 3 months and then go as high as 20% of 'tax unpaid'.

Finally it cannot be emphasised too strongly that Freemasons' Hall does not have a tax expert on its staff. Therefore any tax queries and other enquiries must be addressed to your local tax office.

Yours sincerely and fraternally,

Grand Secretary

Distribution:

All Provincial Grand Secretaries/Scribes E.

All Lodge Secretaries and Scribes E (2) Second copy for Treasurers