



## LODGE FINANCES

*Successful Lodges are sound both fraternally and financially.*

### KENTUCKY MASONIC CONSTITUTION

It is important to understand the regulations pertaining to Lodge finances as provided in the KMC. You should become familiar with Sections 154 - 169 and the KMC before proceeding with any financial planning for the Lodge.

## ANNUAL BUDGET

### Budgeting Process

Your Lodge may already have a budget for the current year, which can be used as a starting point for the annual budget for you term as Master. Below are further suggestions in developing an annual budget.

- **Appoint a Budget and Finance Committee** – A committee of at least four or five members to compare past financial performance and project income and expenses for the next Lodge year.
- **Study the Dues structure of the Lodge.** Are the dues sufficient to meet the needs of the Lodge?

### Handling New Expenditures

Even once the budget is completed, some new unanticipated program or expenditure will be presented to the Lodge. When this occurs, consider whether it is in accord with both your spending plan and the wishes of the membership of the Lodge. If it is a significant dollar amount, call a meeting of the Budget and Finance Committee to review existing expenditures and the cost of the proposed new program. Have the committee prepare a recommendation to the Lodge.



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## DUES AND INITIATION FEES

### DUES COLLECTION

Delinquent dues will be a continual problem for each Lodge and certainly the Secretary. To reduce the problem of delinquent dues:

- Be sure notices are sent to each member's residence by November
- Establish a Delinquent Dues Committee

Things to keep in mind:

- Be sure the delinquent dues notice is a friendly and simple reminder, not abrupt or harsh.
- Be sure to make personal contact with the members who don't respond to the delinquent dues notice to insure that some problem does not exist. If the brother cannot afford to pay, his dues should be remitted.

### DETERMINING THE INITIATION FEE

The reasonableness of the initiation fee for the privilege of becoming a Mason has, for many years, been ignored. Initiation Fees should be consistent with the true worth of membership and the actual costs that are incurred in presenting the degrees and administratively support the new member.

**Questions to ask yourself:**

- How long has our initiation fee been at its present level?
- What should it presently be, considering the impact of inflation since its last revision?
- What is the actual cost of presenting the degrees?
- What do other non-Masonic groups and organizations in our community charge for membership?

What is received cheaply is sometimes not respected. Review your fees. If an increase is appropriate, prepare to change the Bylaws of your Lodge to reflect both the increase in delivery costs and the true worth of Masonic membership.



## INVESTMENTS

You have an obligation to your Lodge and its membership to insure that all Lodge funds are earning maximum return for the benefit of the Lodge.

Many Lodge By-Laws dictate the standard of investment.

It is important that the Budget and Finance Committee continually review with the Treasurer how Lodge funds are invested and what the return rate is.

### **Investment Suggestions**

- Keep sufficient funds in a checking account as are necessary to pay the monthly bills. Make sure you are receiving the highest interest on your checking account available in your community.
- Retain in a liquid savings account, which you predict may be required to fund unanticipated emergency expenses.
- Strictly adhere to the requirement of the Kentucky Masonic Code, investing the remaining funds in such other prudent investments as will provide the highest reasonable return in the safest possible manner.

### **Managing Lodge Investments**

Some Lodges have an investment committee to manage Lodge investments. A Lodge may, through a standing resolution, appoint trustees with the power to acquire, mortgage, sell and convey Lodge property and to invest and reinvest its funds, provided that the trustees are always under the control of the Lodge. For example, the trustees may not buy or sell property of the Lodge without prior approval of the Lodge.

**How To Get Assistance:** Contact a member of the Finance Committee using information provided in the Roster.



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## INSURANCE AND TAX CONSIDERATIONS

### INSURANCE

There are two general categories of insurance with which you may be concerned. There is insurance coverage, which is purchased by the Grand Lodge on your Lodge's behalf (for Lodge functions only).

\*Additional insurance coverage must be purchased separately by each Lodge that owns their building.

### Lodge Insurance

The Grand Lodge purchases Lodge insurance coverage. This insurance is paid through the per capita tax collected for each Kentucky Lodge. This policy covers:

- Physical loss or damage to your Lodge's paraphernalia, such as aprons, rods, Bible, and other such items used during your meetings. It also includes coverage of other Lodge tangible personal property such as your Lodge computer, filing cabinets, and other equipment owned by the Lodge and used by your Lodge Secretary, whether stored at your Masonic Temple or elsewhere.
- Comprehensive general liability coverage. This protects against liability arising from any Lodge activity, whether or not held in your Masonic Temple. This might include someone who is injured in a fall while at a Lodge event in your Masonic Temple. It might also include someone who is injured by something eaten at a Lodge event.
- Statutory workers compensation coverage. This is provided under the Grand Lodge policy to those persons who are salaried employees of the Lodge if social security taxes are withheld from the person's pay. Thus, your Lodge Secretary could be covered for injuries incurred while performing his secretarial duties but only if the Lodge withholds social security taxes from his pay.
- Limited coverage for losses incurred from theft or dishonesty. Whether from a burglary or other such loss or from the dishonesty of one your own members, such losses are covered on a very limited basis. Those Lodges with more than \$10,000 in assets should consider a separate fidelity bond for those officers who regularly deal with large amounts of Lodge assets, such as your Lodge Secretary and Treasurer.



## **Required Written Announcement of Lodge Activities**

To assure that this Grand Lodge coverage is available in case of a claim from an injury; your Lodge Secretary should include in meeting minutes an announcement of those upcoming activities, which will be sponsored by the Lodge.

Unless this is done, any liability arising from any such activity may not be covered by the insurance coverage provided by Grand Lodge.

## **Masonic Temple Association Insurance**

The insurance coverage provided by Grand Lodge is only for the Lodge and its members. It does not insure against claims, which may be made against the owner of the property on which the injury occurs.

If an injury occurs at your meeting place, the Masonic Temple Association may be liable also. Therefore, the Masonic Temple Association must purchase its own policy of insurance.

The Temple Association should have its own policy of coverage for:

- Comprehensive public liability
- Masonic property and its contents
- Workers compensation
- Directors and officers

## **NOTICE**

The information on insurance provided in this notebook is merely a summary of what might be necessary in making prudent insurance decisions. Contact the Grand Lodge for more complete information and if you have further questions about insurance protection.



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## TAXES

### **Income Tax**

Masonic Lodges are exempt from all federal and Kentucky income taxes, regardless of the amount of income from dues, interest, dividends or other investments, with certain exceptions.

The Internal Revenue Service has officially recognized that the Grand Lodge and its subordinate Lodges are exempt from income tax under the Internal Revenue Code Section 501 (c) (10).

Kentucky Exemption Number: XXXX

This classification may be important for other purposes.

\*Each Lodge has it's own individual EIN Number on file at the Grand Lodge Office.

### When is a lodge subject to Income Tax?

A Lodge is taxable on income from a trade or business, which is unrelated to the fraternal purposes of the Lodge. For example, net income from a working oil interest would be taxable because such an interest is considered a trade or business. To constitute trade or business, the activity must be regularly carried on. This does not include periodic events liking dinners and social activities.

The sale of advertising in Lodge publications is taxable as income from an unrelated trade or business. The Lodge may deduct from its advertising revenue that portion of the costs of the publication attributable to generating that revenue.

### **Kentucky Sales Tax**

There is potential Kentucky sales and use tax consequences to certain Lodge events. A sales tax is assessed upon the sale of tangible personal property. The sale of tangible personal property includes furnishing meals as well as supplying merchandise at garage sales or bazaars for a purchase price, even if the purchase is labeled a "donation."

However, Masonic Lodges are not subject to sales tax on their receipts from furnishing meals if the meals are furnished exclusively to members and are furnished less frequently than once a week. Both requirements must be met. Meals paid for by members are considered furnished to the members and are, therefore, not subject to sales tax. Members of the Lodge for non-members who attend Lodge functions should purchase meal tickets.



Any other transfers of tangible personal property by the Lodge, such as garage sales, are subject to the sales tax. If the Lodge is subject to the sales tax, it must apply for a Kentucky Sellers permit, which can be obtained from the local office of the State Board of Equalization.

**Payroll Taxes**

A Lodge is required to withhold payroll taxes from the wages of its employees. Generally, a Lodge's employees would include persons such as the Secretary.

**Contributions to the Lodge**

Contributions or gifts to the Lodge are not tax deductible as charitable contributions. (The part of your dues for Masonic Homes of Kentucky is tax deductible) When a Lodge mails its annual dues notice, the following disclosure should appear on it:

"Contributions to (Name of Lodge) are not tax deductible as charitable contributions."

This statement should be its own paragraph and in at least the same size type as the primary message in the body of the dues notice.

**NOTICE**

The information provided in this notebook on tax considerations is merely a summary of what may be required to make prudent tax decisions. A competent tax advisor should be consulted before making any decision with tax implications.