Business Practices
Improving Profitability through Better Business Practices Management

Presented by:
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&
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OBJECTIVE TODAY

Present information to help:
1. Reduce current costs
2. Avoid unnecessary future costs
3. Keep you out of trouble with
   • Grand Lodge
   • Various Governmental
     • Enforcement Agencies
     • Taxing Authorities
PREFACE

Operating social quarters within our lodges and raising monies for our charities is a business.

• For a business to survive and to grow, it must operate at a profit.
• For a business to operate at a profit, it must be properly managed and
• Quality management leadership, in any organization, must start at the top, and
• Within an Elks
• Lodge, Exalted Ruler’s are the President of the Lodge, the Chief Executive Officer of the Corporation, the Captain of the Ship, the Quarterback of the Team.
As such, there are 3 things that you must absolutely accomplish if you are to have a successful bottom line financial and fraternal operating year:

- Preserve reasonable harmony within the lodge and among your Officers.
- Place the right volunteers in the right positions.
- Lead by example with a positive attitude and through proper communications.
TO ASSIST YOU IN DOING THIS AND TO PROVIDE YOU WITH NUMEROUS IDEAS THAT WILL HELP YOU TO:

• Reduce current costs
• Avoid unnecessary future costs and to
• Keep you out of trouble with the Grand Lodge and various governmental taxing authorities and regulatory agencies

A 2 hour, 8 minute instructional DVD and a related 138 page educational manual has been developed and entitled “IMPROVING PROFITABILITY THROUGH BETTER BUSINESS PRACTICES MANAGEMENT”. This material consists of 9 different segments:
The first 4 address characteristics that are common to all managers, whether those managers be highly paid executives or lodge volunteers:

- **LEADERSHIP**
- **PLANNING AND BUDGETING**
- **ORGANIZATION**
- **CONTROL**
There is a segment that covers the NUMBER ONE FACTOR that will determine whether most lodges will earn a profit or lose money this year.

That is the Gross Margin that you earn on the sale of food and beverage products in your Club Operations.

Thus PRICING, POURING, PORTIONING and PROCUREMENT are discussed.

There is a section that contains many common sense internal controls; checks-and-balances ideas designed to protect your assets against:

• WASTE
• FRAUD and
• THEFT
There is a segment that pulls together on one or two pages from the Statutes, Auditing & Accounting Manual Checklists, etc; the Duties & Responsibilities of the:

- Exalted Ruler
- Secretary
- Treasurer
- Trustees
- House Committee

AS THEY RELATE TO:
- Running the business of the Lodge
- Their relationship to other Officers, Managers and volunteers
- And to Internal Control Matters
If you want to save money by preparing your Annual Grand Lodge Audit Report “In House”, the Manual describes each line item on each page as to how to properly do this. It also describes what each line item represents and thus is a learning tool as to how to read and better understand these financial reports.
GUARANTEE

MY GUARANTEE IS THAT IF YOU TAKE THIS MATERIAL BACK TO YOUR LODGES, REVIEW IT WITH YOUR OTHER OFFICERS, MANAGES AND KEY VOLUNTEERS; IMPLEMENT THOSE RECOMMENDATIONS AND SUGGESTIONS THAT APPLY TO YOUR LODGE, THE BOTTOM LINE PROFITABILITY OF YOUR OPERATIONS WILL IMPROVE.

GOOD LUCK AND GOOD MANAGING

Frank J. Palladini, PSP
EMPLOYEE DISHONESTY – GRAND LODGE AUDITING MANUAL

- Read the Book!
- Learn about Controls!
- Use the Checklists!
- If you don’t, you can end up like several Lodges over the past few years that lost $$.
- Past members and/or employees have been in jail and/or on probation for embezzling $$. 
GRAND LODGE AUDITING MANUAL (continued)

- Each Lodge needs to maintain a system of internal controls to protect assets from waste, fraud, and theft and to insure accurate and reliable accounting data.

- Internal controls are largely a matter of common sense. The whole idea is to mitigate the possibility of putting a member or an employee into a position of temptation. If he jumps and commits a defalcation (embezzles), not only can it cost the Lodge a lot of money, but it can also cause a great deal of embarrassment to the entire organization.
You must have proper controls and balances in effect.

Remember, an employee will be as honest as you require him to be and be as dishonest as you tempt him to be!

http://www.elks.org/grandlodge/auditing/manuals.cfm
INTERNAL CONTROLS, CHECKS AND BALANCES

• If you are allowing bartenders, waiters, cashiers, etc, access to the cash register tape when counting their cash at the end of their shift;

• If assets are not stored on a timely basis and kept under lock and key, with limited access to authorized personnel only;

• If Lodge records are being maintained by members outside the Lodge premises;
INTERNAL CONTROLS, CHECKS AND BALANCES

• If bank reconciliations are not being independently completed on a timely and accurate basis each month;

• If vouchers or other means of approving payment of all bills against the lodge are not being properly handled;

• If you allow vendor delivery personnel to store your goods in your stocking area;

• If you are coding transactions incorrectly
INTERNAL CONTROLS, CHECKS AND BALANCES

- If you do not have timely and reasonably accurate and meaningful financial statements, reviewed monthly by knowledgeable lodge volunteers;

THEN YOUR LODGE COULD WELL BE HEADED FOR FINANCIAL DIFFICULTIES DUE TO THEFT, LOSS, WASTE, ETC.
**Controllable Factors to Avoid Waste, Fraud and Theft:**

- Purchase Orders
- Receiving Reports
- Delivery Tickets – Returns
- Count – 100 vs 87
- Weigh – Scales
- Inspect – 6 oz Filets
- Store Immediately (spoilage)
  - Lock and Key
  - Limited Access
  - Authorized Personnel
  - No Delivery People
- Vendors
  - Food Substitute
  - Liquor – Back Order
- Knock Down Boxes
- Inventory Records
- Food Yield – Location
  - Leftover Usage
- Food – Beverage Manual
  - Meal Cost Calculations
- Waitress Tickets
  - Pre-number
  - Daily Audit
- “Z” Tapes (4 Drinks $10)

Overages – Not ringing up sales
Shortages – Don’t have to keep track - Access

Bottom Line – Who Pays for These Infractions?
COST CONTROLS

- Cost of goods (purchase cost vs. revenue net of sales tax) should not exceed 35%.
- Employment costs should not exceed 35% of gross sales.
- Entertainment costs should not exceed 6% of gross sales.
- Inventories should be controlled by someone other than bartenders.
- Proper monthly cut offs are essential to the above.
- Club gross margin is the #1 factor in determining whether most Florida Lodges will record an annual profit or loss.

Note:
If you are constantly losing money in your dining room, you are fooling yourself when you say we are keeping it open to increase attendance at the bar.
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Questions
PAYROLL RELATED MATTERS

Matters that can **MAKE** or **BREAK** a Lodge
If the lodge is not in compliance with the IRS Rules and Codes
Questions