



Audit Preparation and Financial Reviews: Ensuring Compliance and Accountability

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2026 Leadership Retreats



Lodge Audit

- Who performs the audit?
 - Lodge Audit Committee
 - Inspector
- Occurrence – minimum once per year, or quarterly for lodges with high volume of check/wire payments

Lodge Audit

- Who can be on the lodge audit committee?
 - Any member of the lodge, except the Secretary and the Treasurer. Also, the Master of the lodge, as a best practice, should not appoint any Brother who has signing authority over any of the Lodge accounts.

Lodge Audit

- How many members should be on the audit committee?
 - Minimum three
- Audit committee qualification
 - Has experience in accounting/finance/ investment professions or similar experience
 - Familiar with the appropriate Lodge Management Certification Program courses offered through the Grand Lodge

How to Prepare for an Audit Disbursement

- Make sure all disbursements are approved, documented and recorded.
- Make sure to have available supports for disbursements (e.g. receipts).

How to Prepare for an Audit Disbursement

- For EFT/ACH/Bill Pay recurring payments –
 - Make sure that the lodge approved the initiation and/or continuation of payment.
 - A list of vendors and amounts must be provided and approved at the stated meeting
 - The lodge must set up a disbursement amount limit for the recurring payments (e.g. \$500 for rental, 150 for utilities). Any amount in excess of the specified limits has to be approved at the stated meeting.

[\(Refer to the audit guide for more detailed guidelines\)](#)

How to Prepare for an Audit Disbursement

- Lodge Credit Card –
 - Use of Lodge Debit card should be limited to the following purchases:
 - Office Supplies
 - Postage
 - Printing
 - Other expenses when check processing is not possible due to timing and/or immediate need

How to Prepare for an Audit Disbursement

- Lodge Revolving/Petty Cash/ Refreshment funds –
 - Should be used only for refreshments and for Secretary's incidental expenses (e.g., supplies)
 - Should be replenished, preferably on a monthly basis
 - Make sure that cash on hand plus the receipts(un-replenished/for reimbursement) equal the total of the fund.

How to Prepare for an Audit Receipts

- Make sure all receipts are properly recorded and deposited timely
- Treasurer should issue an acknowledgement receipt for all funds received from the Secretary
- Treasurer's receipts should equal the Secretary's receipts for the same period, any difference should be accounted for

How to Prepare for an Audit Receipts

- PayPal/ Square and other online receipts
 - Ensure that all online transactions are accounted for and recorded properly and in a timely manner.
 - Check and compare the deposited amount in the checking/savings account with the PayPal/Square report. Any difference should be accounted for (e.g. credit card transaction fee)

How to Prepare for an Audit (Bank Reconciliation)

- Bank reconciliation should be done on a monthly basis for operating/checking account.
- Investigate reconciling items especially long outstanding checks and/or receipts.

How to Prepare for an Audit (Investment)

- Investment accounts should be reconciled, at a minimum, on a quarterly basis
- Dividend Income, realized and unrealized gains/losses should be properly recorded and reported to the lodge.
- If the lodge uses Grandview, Grand Lodge will assist with reconciling and booking all investment transactions.

How to Prepare for an Audit (Investment)

- Investment Distribution -
 - Life membership distribution shall not be more than the amount approved for distribution as defined by the CMC.

How to Prepare for an Audit (Reports)

- Lodge Annual Financial Report
 - Lodges that are not using Grand View accounting system must have their Annual Financial Statement Report completed and submitted to Grand Lodge no later than March 15. The report must be uploaded to Grand View “File Vault” system.
 - Review the annual report, make sure social and fraternal expenditures are no more than 30% of lodge dues income, application fees and income/distribution from investments

How to Prepare for an Audit (Reports)

- Other Reports

- Secretary's reports are required in February and August
- Treasurer's reports are also required in February and August but it is recommended to be delivered at all stated meetings

TAXES



Tax Compliance

FILING MANDATED BY THE IRS

- **IRS Form 990 – Annual Information Return**
 - **must be electronically filed. IRS no longer accepts paper file.**
 - **Due on May 15, without extension,**
 - **Due on Nov 15, with extension**
- **Form 1099 (Non-employee compensation)**
 - **Due on January 31**
- **Form 1096 (Summary of 1099s filed)**
 - **Due on January 31**

Tax Compliance

Filing Mandated by the State of CA

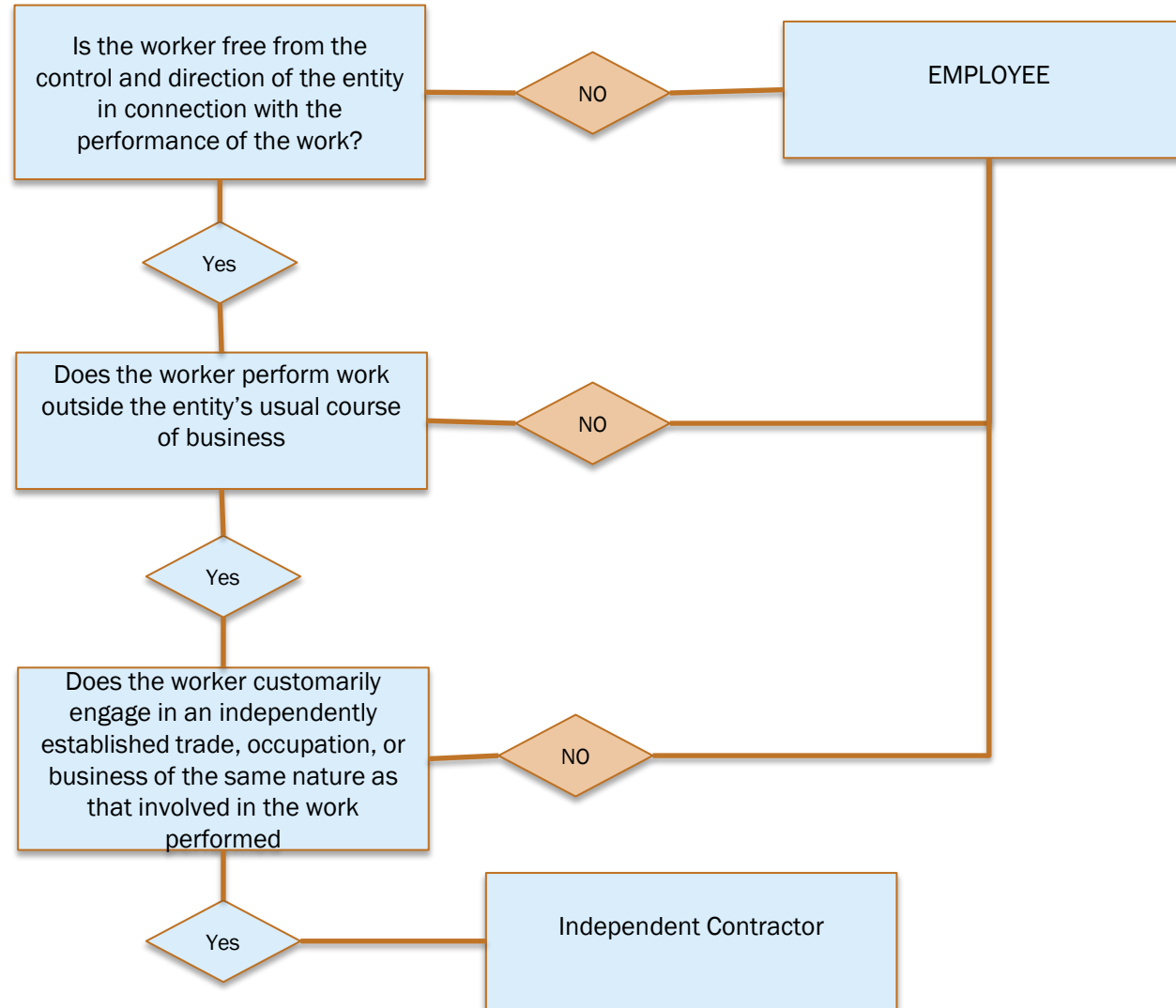
- FTB Form 199 – Annual Information Return
 - Due on May 15, without extension,
 - Due on Nov 15, with extension
- SOS Form LP/UNA-100 (lodges only) (Information return-filed every 5 years with the Secretary of State, \$25 filing fee)
- SOS Form SI 100 (halls only) (Statement of Information filed every two years with the Secretary of State, \$20 filing fee)

Tax Compliance (LODGE PAYROLL)

- The following officers are considered employees not independent contractors
 - Secretary
 - Asst. Secretary
 - Tiler
 - Organist
- Have the employee complete the Federal Form W4
- File the quarterly and/or annual payroll filing requirements with the government agencies on a timely basis ([Paychex will handle the filing for Lodges using the Paycheck Payroll system](#))

Lodge Expenses

Employee vs Independent contractor – California ABC Test



Tax Compliance (LODGE/HALL PAYROLL)

IRS Employment Related Filings

- **Form 941 (Quarterly Payroll Tax Return)**
- **Form 944 (Annual Payroll Tax Return)**
- **W-2 (Annual earnings statements)**
- **W-3 (Summary of all W-2s)**
- **Form 940 (Annual Federal Unemployment Return)**

Tax Compliance (LODGE/HALL PAYROLL)

State Employment (EDD) related filings - **must be filed**
electronically

- Form DE88 (Payroll tax deposit form)
- Forms DE9 & DE9C (Quarterly return and report of wages)

Tax Compliance (LODGE/HALL PAYROLL)

California Retirement Mandate

- Lodges and Halls with 1 or more employees are subject to the California Mandatory Retirement Plan
- Lodges and Halls must
 - register with the CalSavers (a state-facilitated Roth IRA retirement savings program funded through employee payroll deductions)
 - Add employee information
 - If employee opt in - Facilitate payroll deductions and remit payroll deduction to CalSavers.
- Lodge/Hall employees are automatically enrolled but may opt out

Tax Compliance (LODGE/HALL PAYROLL)

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Tax Compliance (LODGE/HALL PAYROLL)

California Retirement Mandate

Timeline



Tax Compliance (LODGE/HALL PAYROLL)

California Retirement Mandate

- Deadline – December 31, 2025
- Penalties for Non-Compliance - \$250 per eligible employee after 90 days of notice, increasing to \$500 per employee if still non-compliant after 180 days.

Tax Compliance

(Other Areas, if Applicable)

- Payment to Independent Contractor
 - Have the contractor complete the Form W9 before processing payment
 - Issue Form 1099 at the end of the year and file Form 1096 Misc. for aggregate payments of \$600 and above (\$2,000 or more starting in 2026).
- Lodge Governing Policies
 - Lodge officers and/or trustees should disclose annually any conflict of interest
- Related Party Transactions
 - Transfer to and from the Hall associations should be recorded properly by both entities

Tax Compliance

- Make sure the lodge/hall is in good standing and current with all required tax filings with the IRS, SOS and FTB
- Grand Lodge tax preparation service (Form 990 and Form 199) is available to all lodges and Hall Associations
 - Lodges at no charge. (Free for lodges)
 - Halls available for a fee

Tax Compliance

Consequences of non-filing (990s and 199)

- Automatic revocation of tax-exempt status, if the lodge fails to file its annual tax return for three consecutive years

Consequences of late filing

- Penalty - \$20 to \$105 a day up to a maximum of \$54,500 plus interest.

Tax Compliance

- **Contact Grand Lodge Financial Services**
 - If the lodge tax exempt status is revoked
 - Filing is not current
 - If the lodge received any notices from the IRS

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Contact Information

Financial Services

(415) 292-9170

financialservices@freemason.org

How to Prepare for an Audit



Questions



Answers