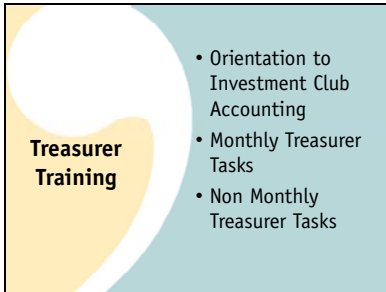




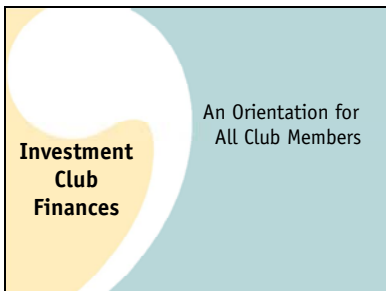
Welcome! This presentation is part of a three part series.



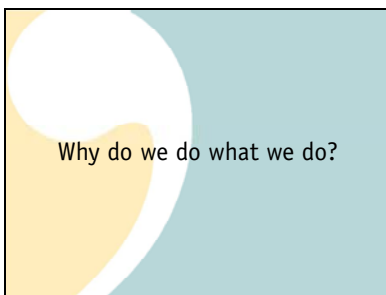
In this first part, we give you an orientation to your investment club accounting. This is good background information for everyone in your club so they can get a basic understanding about how your club finances work and what you will and will not be able to account for with bivio.

The second and third presentations are aimed more specifically at you club treasurers. In part 2, we discuss how to perform the regular tasks you'll be doing each month. For those of you who have questions about things like reconciling your accounts, this is where we'll be discussing this. We'll be giving this presentation on May 22.

The third and final presentation will be given on June 5. That one is also designed for treasurers. In it we discuss the tasks you will be performing less frequently as a club treasurer. If you have questions about withdrawals and doing taxes, this is where we'll be discussing them in more depth.



For tonight's topic, we're going to be discussing your club finances. It is very easy to do your club accounting using bivio but you need to have a basic idea of the parameters under which it needs to be done. You actually keep track of transactions in a way you might be familiar with if you've done personal or company book keeping. But behind the scenes, the book keeping entries you make are being accounted for in special ways because you are accounting for a group. Because of this, things work a little differently than you might expect. Everyone in your club should at least understand the basics we're going to talk about here so that you won't, by accident, take an action which will make your treasurers life very complicated.



To start our orientation, it helps to understand what your investment club accounting is designed to accomplish.

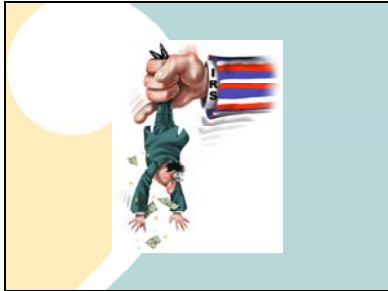


As an investment club, you're a group of people

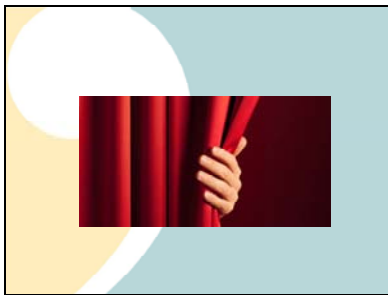
owning a shared pool of investments

you'll want to keep track of your investments and track how they are doing.

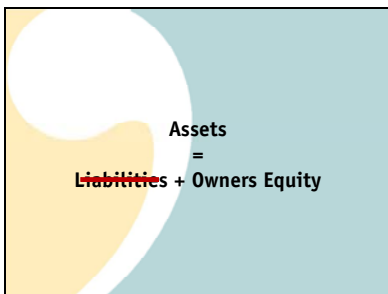
You'll also want to track your ownership in the club.



Since you're running a financial group with the intent of making money, you'll also need to file taxes to comply with tax laws.



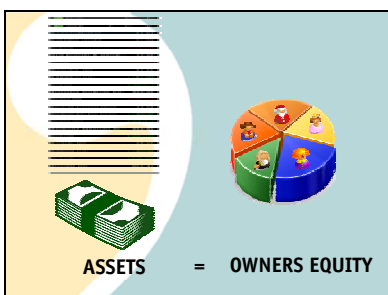
To do all that, all you need to do is enter some simple information into bivio. Your treasurer just makes sure all the transactions from your financial accounts get entered into bivio. But it is important to realize that behind the scenes there is some sophisticated accounting going on. It helps to get a little bit oriented to what that is, so that you keep things on your side of the screen simple.



What do you need to know about your club accounting as an investment club member? First let's talk about your club assets and your club ownership.

All accounting is based on a very simple equation. We call this the accounting equation. It states that the sum of your assets (what you own), is equal to the sum of your liabilities (what you owe) plus your owners equity. (what you can take away at the end of the day)

An investment club is a simple business that does not have any liabilities.

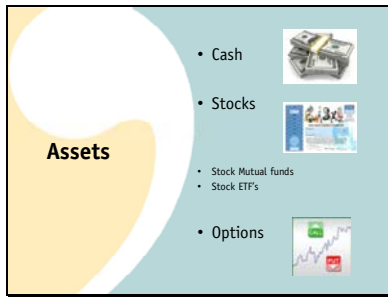


So the accounting equation becomes even simpler. Your club accounting tracks

What you own, your assets,

And what each persons ownership share is

Your owners equity



In a club, you'll have these types of assets.

First of all, you'll probably have some cash. Cash is a club asset. This includes investments accountants consider "equivalent to cash" such as money market funds.

Your club accounting is also designed to track investments in Publicly traded common stock

Stock mutual funds

Stock ETF's

If you subscribe to our Active Partnership service, you might also have bought or sold some options.

The choices on this list give you a lot of investments you can choose from to build a club portfolio.

Assets

Valuation Report for 02/28/2018

Asset Name	Quantity	Unit Cost	Current Price	Current Value	Percentage
Cash	1000.00	1.00	1.00	1000.00	2.05%
Money Market Fund	1000.00	1.00	1.00	1000.00	2.05%
Stock Mutual Fund	1000.00	1.00	1.00	1000.00	2.05%
Stock ETF	1000.00	1.00	1.00	1000.00	2.05%
Options	1000.00	1.00	1.00	1000.00	2.05%
Total				48,842.98	100.00%

Each evening, after the markets close, the prices on all your investments are updated. The value of all of your investments and your cash is added together.

This is called your club Valuation or the Net Asset Value (NAV) of your club. You can see it reported on a Valuation report. It will change every day because your assets are stocks whose price changes daily. Essentially your club is managing a mutual fund.

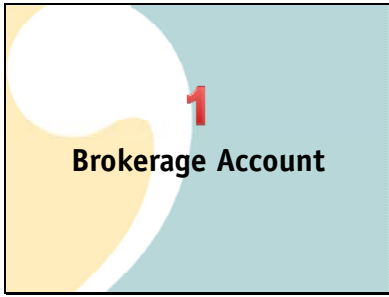
Where Your Club Assets "Live"

Account Summary for 04/09/2018

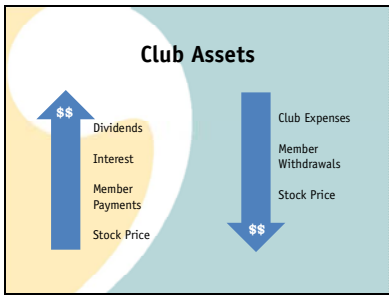
Name	Last Update	Last Balance	Assets
Cash	04/09/2018	250.00	100% Assets
TD Ameritrade	04/09/2018	594.06	100% Assets

You may have several different accounts that hold your club assets. For example, sometimes clubs have both a brokerage and a bank account. You can see the cash balances in each of your accounts on the Accounting>Accounts page. In order to be able to reconcile your accounts each month, your treasurer will be tracking account transactions in bivio in an account representing the account they actually occur in.

But it is important to understand that for the purposes of your accounting, all your assets are lumped together. No matter what account you keep them in, they are available for investing or paying club expenses.



At bivio, we like to encourage you to keep your club financial operations as simple as possible so nobody has to be an accountant and everyone can focus on the fun part of being in a club which is picking stocks. For simplicity in keeping your club records, we highly recommend that you try and operate with only one account, a brokerage account. Each financial account that you have needs to be reconciled each month. The less accounts you have, the less work for your treasurer. Many brokers now offer free checking. Even if they don't you should actually have minimal reasons to need checks for anything. There are other options you can use to pay the infrequent expenses an investment club should have.



Your club assets will increase when you receive income such as dividends and

interest coming into your club from your investments.

They will also increase when your members make contributions.

And when the value of any stocks you own goes up.

The value of your club assets will decrease

if you pay for any expenses

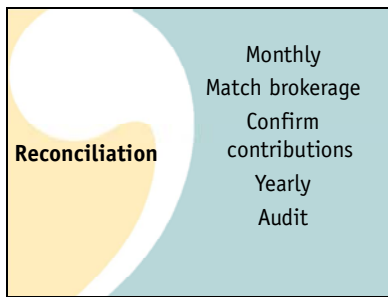
a member withdraws some of his assets or

The value of any stock you own goes down.

A slide titled 'Treasurers Job' with a light blue background and a yellow circle on the left. It features a screenshot of a financial ledger with columns for date, description, and amount.

Date	Description	Amount
1/1/2018	Opening Balance	1,000.00
1/15/2018	Member Payment	500.00
1/31/2018	Interest	10.00
2/1/2018	Club Expense	(200.00)
2/15/2018	Member Withdrawal	(300.00)
2/28/2018	Stock Price	1,000.00
3/1/2018	Balance	1,090.00

Your club accounting tracks your assets. We have made it very simple for your club treasurer to keep your records. They do not have to be an accountant, they just need to be a conscientious book keeper. All they need to do is make sure that all the transactions from your accounts are entered in bivio correctly. If you use AccountSync, brokerage transactions can be read in automatically.



It is very important that all transactions be recorded on the correct dates and that your records be kept up to date and agree with your financial statements. It is also important that you track all of your club's financial accounts in bivio and that you record all of the transactions that happen in those accounts.

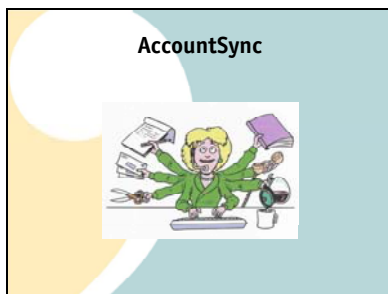
As part of your monthly treasurers report, your treasurer should verify (and be able to demonstrate)

that your club records match the records from your brokerage.

They should also provide you with a report you can use to confirm your member contributions have been recorded accurately.

In addition, you should plan to do a yearly

club audit where members other than the treasurer confirm your records. Mistakes are usually easy to fix before taxes are filed or members make withdrawals. But corrections can become very difficult after that. It is in everyone's best interest that you all make sure you are comfortable that your club records are being kept accurately.

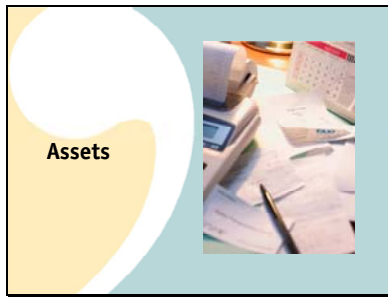


Just a little caveat about that. Some clubs think AccountSync replaces their club treasurer and will do your club accounting for you.

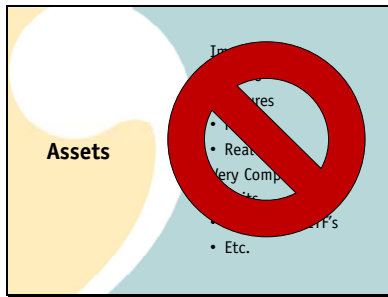
Actually, AccountSync is a very capable assistant for your club treasurer. It will faithfully enter transactions each day that are provided in a data file from your broker. But your club treasurer still has the final responsibility of making sure everything is entered correctly.

While it doesn't happen often, brokerage data files can have mistakes or information missing. When they do, it is important that your treasurer make any corrections needed in bivio to keep your club accounting correct.

If you follow our guidelines for keeping your record keeping simple and do a few quick checks each month, there will be minimal work for your club treasurer to stay on top of things. We want them to be a "One Minute Treasurer".



Another thing you can do to keep things simple is to make sure you understand the scope of what your bivio accounting covers. While there are lots of things in the world you can invest in, you can't use bivio to account for all of them. You could run a complicated partnership, invest in lots of different things and pay a CPA thousands of dollars a year to prepare your tax returns. Thanks to the generosity of the people who make our tax laws, different types of investments can have specialized tax reporting rules you need to comply with. Sometimes clubs inadvertently get into complicated investments because they are traded in public markets, discussed regularly in investing publications, on TV and on the internet and you can purchase them from your broker like stocks. However, it is important that you know what you are buying so you don't inadvertently get into problems.



For example, we do not provide you with the accounting or tax reporting you'd need for investments in:

Master Limited Partnerships- This one comes up fairly often because these are often touted as "High yield" investments in popular investing publications. They are often pipeline and energy companies. Popular ones are Blackstone, Enbridge Energy Partners and Linn Energy.

We also get asked every now and then if we can account for things like Futures-

Forex-Foreign exchange currency trading

Real estate-You can have an investment club that invests in real estate. But you can't use bivio to do your accounting and tax prep for you.

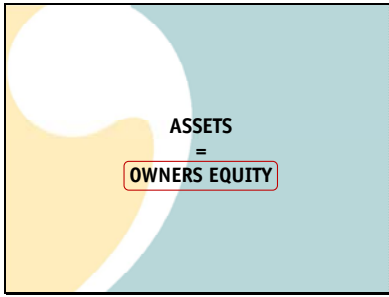
There are also other types of investments which we recommend you stay away from because they can make your club accounting very difficult, delay when your club and your members can file your taxes and increase your chances of your club and your members needing to file amended tax returns. They are

REIT's-These are real estate investment trusts. A popular one we often see is Annaly NLY

Commodity ETF's – Just because something is called an ETF doesn't mean it is something we can account for. It will depend on what type of investment makes up the ETF. For example, Commodity ETF's have become popular recently for people who want to own precious metals such as Gold or Silver. These ETF's actually own the underlying commodity, they do not own stocks. Two popular ones right now are GLD and SLV. The accounting and tax reporting for ownership of precious metals is different than that required for ownership of stocks. Bivio does not provide you with the tools you need to account for and report taxes correctly for these investments.

The list could go on and on but I hope you get my point.

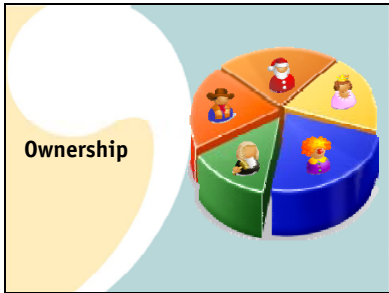
There are just some investments that you should not purchase in your club if you'd like to keep your club accounting simple and be able to use bivio. Investment clubs are about learning to invest in publicly traded corporations, not about learning to do accounting. Stick to our guidelines and you'll still have lots of investments to choose from to build a portfolio and learn about investing.



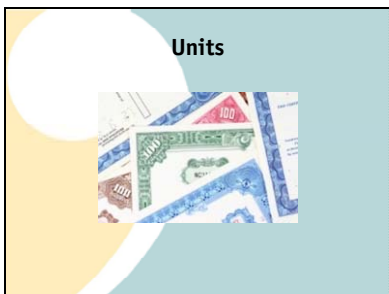
So that gives you some things to be aware of relating to your club assets. On the other side of the accounting being done in Bivio,

is record keeping about your ownership in the club.

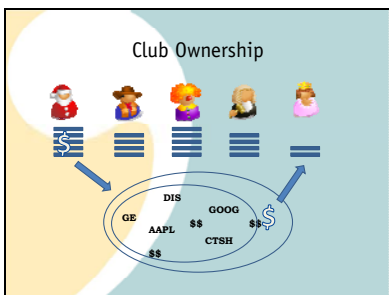
There are important things to understand about how your club ownership is tracked. It affects how much you earn on your investment in the club and how much of the club earnings you will be taxed on.



First, it's important to understand that your members do not own a specific percentage of each of the individual assets of your club, they own a percentage of the total club.



Your ownership is kept track of with what are called units. Owning units is similar to owning shares in a mutual fund. The reason we track ownership using units is that when you're in a club, you'll have unequal ownership of a pool of investments that changes in value each day. Unit based accounting, gives you the greatest flexibility to operate an investment club and do your accounting fairly even if everyone has not or cannot contribute the same amounts to your club at the same times.



Each time you contribute money to your club

you purchase units,

It is fine for each club member to own a different number.

if you'd like to take some money out,

you redeem units.

Asset Name	Units	Market Price	Market Value	Percentage
DIS	100	100.00	10,000.00	10.00%
GOOG	100	100.00	10,000.00	10.00%
GE	100	100.00	10,000.00	10.00%
AAPL	100	100.00	10,000.00	10.00%
CTSH	100	100.00	10,000.00	10.00%
\$\$\$	100	100.00	10,000.00	10.00%
\$\$\$	100	100.00	10,000.00	10.00%
Total	600	100.00	60,000.00	100.00%

Each day, the value of a unit is determined by dividing the total asset value of your club by the number of units outstanding. You can find the daily value of a unit on the

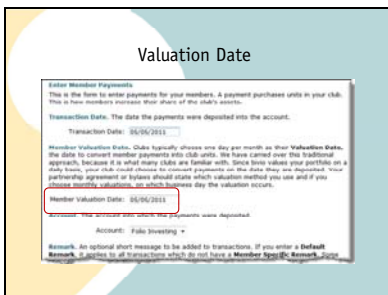
Bivio valuation report I showed you earlier. If you've ever owned shares in a mutual fund, you get a similar share value for your fund at the end of each day.



To properly do your accounting for units, member contributions and withdrawals are recorded a little differently than any other type of deposit or expense.
The information needed to make entries is input on special

Payments

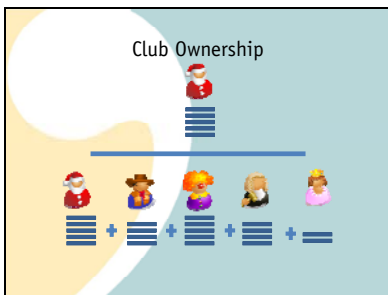
And withdrawals forms accessed using these buttons on the members screen. After the forms are filled in, bivio does the accounting to add or subtract the appropriate number of units to each members account.



Because you are purchasing or selling shares, one of the pieces of information you will provide on both the member payment and withdrawal form is a

“valuation date”. The value of a unit on that date will determine how many units a member receives or redeems.

To keep your record keeping the simplest, we recommend that you use the date of the deposit as the valuation date. That way, things work just like they would in a mutual fund. Members buy club shares at their value on the date of their contribution. As part of your partnership agreement, your club should agree on the valuation dates you are going to use to record member payments and withdrawals.



Your percentage of ownership in your club on any given day is your total units

Divided by

The total units in your club.

Member Status Report

Member Status

Report Date: 05/15/2018 Member Payments Month: 04/15/2018

Name	Paid Since	Total Paid	Tax Basis	Units Owned	Market Value	Percent
Right Member	75.13	768.56	768.56	5,571,042	66,84882	15.7%
Blaine Member	25.00	568.00	568.00	1,867,792	26,57964	21.0%
Fred Member	0.00	478.08	498.32	0.000000	66,90298	65.1%
Fred Member	0.00	390.81	390.81	0.000000	59,21217	8.1%
Frederick Laine	25.00	600.40	610.20	0.000000	66,81388	12.0%
Steve Member	25.00	361.30	620.27	1,874,128	36,89917	13.1%
Jim Member	25.00	621.00	670.50	0.000100	51,86814	13.0%
Tom Member	25.00	568.42	670.21	1,867,792	11,83302	13.0%
Tom Member	25.11	660.77	700.00	0.000000	66,73444	5.0%
Total	225.24	6,498.13	6,772.25	16,762,914	62,813.31	100.0%











You can see your

percentage of ownership for any given date on the member status report.

You can also see the total value of your share of the club on that date.

It is determined by multiplying the number of units you own by the daily unit value. This is just like the way you'd determine total value if you owned mutual fund shares in your personal investment account. If you owned 100 shares and the value of a share at the end of the day was \$8.00, your mutual fund holding would be worth \$800.

Allocating Income and Expenses

5/1	 25%	 20%	 25%	 20%	 10%
5/15- Dividend Received- \$100	25	20	25	20	10
5/18- Deductible Club Expense \$100	(25)	(20)	(25)	(20)	(10)
5/20	 30%	 20%	 20%	 15%	 15%
5/26- Dividend Received-\$100	30	20	20	15	15

For tax reporting, your clubs income and expenses are divided up based on your ownership percentages at the point in time that they occur. It's important to understand that ownership percentages may change on every date a member payment is recorded. This makes the dates of entries in your club accounting more important than dates in the record keeping for other organizations that you may have done. Here's an example of how income and expenses might be allocated to members over the course of a month.

Suppose on May 1, these were the percentages each of these club members owned.

On May 15, a dividend for \$100 was received.

It would be allocated to each person like this

On May 18, the club had a deductible expense of \$100

It would be allocated to everyone like this.

Now suppose on May 20, some of the members ownership percentages changed. This might happen if, for example, member payments for some of them (but not others) were recorded.

Then, on May 26, another \$100 dividend was received.

It would now be allocated based on the new ownership percentages.

Allocating Income and Expenses

Member Tax Allocations from 01/01/2009 to 12/31/2009

Member	Qualified Dividend	Interest	Short-Term Capital Gain	Long-Term Capital Gain	Min. Expense	Net Profit
Member A	100.00	50.00	200.00	100.00	100.00	450.00
Member B	200.00	100.00	400.00	200.00	200.00	900.00
Member C	300.00	150.00	600.00	300.00	300.00	1350.00
Member D	400.00	200.00	800.00	400.00	400.00	1800.00
Member E	500.00	250.00	1000.00	500.00	500.00	2250.00
Total	1500.00	750.00	3000.00	1500.00	1500.00	7200.00

At the end of the year, each member's income and expense allocations are tallied up and used to prepare your club taxes. We'll be talking about those in a few minutes.

The amount each member has been allocated is shown on a bivio report called the Member Tax allocations report. You can access it at any point during the year to get an idea of the type of taxes you'll have to report from your club.

- ### "Equality"
- Month after
 - Month
 - Month
 - Year after
 - Year
 - Year

In a club, everyone is equal in the sense that income and expenses are allocated to you based on the number of shares you own.

If I own more shares than you do, I will be allocated a greater total amount of income. This makes sense.

Clubs sometimes feel that there is some reason everyone needs to have equal ownership. Trying to accomplish that actually will complicate your club accounting. The only way everyone would own exactly the same number of shares is if everyone's contributions were recorded for exactly the same amounts on exactly the same days,

Month, after month, after month (click, click, click)

Year after year after year (click, click, click)

- ### "Equality"
- Life happens
 - Legitimate
 - Personal issues
 - Withdrawals
 - New Members

But, this is just not going to happen. It is inevitable that different club members will own different numbers of units. An investment partnership is a long term undertaking.

Life Happens

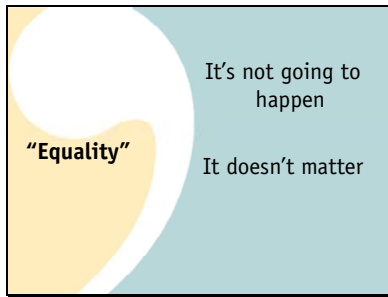
People will have to miss payments for legitimate reasons

People will have times where they can't contribute as much as they used to

People might need to take out some of the money they have invested in your club

People may want to join your club

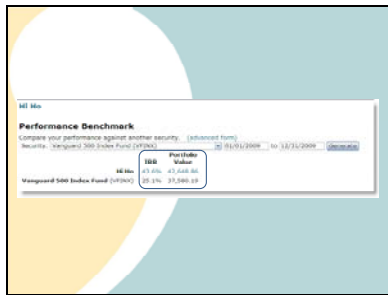
It doesn't make sense to make members leave your club or not allow new members to join if they will actively participate but are unable to have quite the same monetary stake as other members.



We can tell you after years of participating in and working with investment clubs,

That equal ownership is just not going to happen.

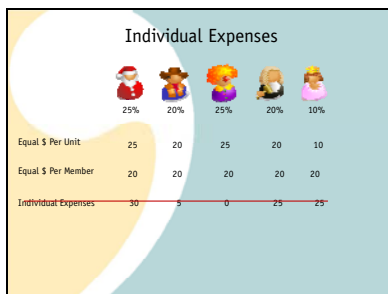
The good news is that it doesn't matter. Your club accounting is designed to account for everyone's percentage of ownership accurately. If your treasurer is reconciling the books correctly each month, you can be sure your ownership is being tracked properly and you are being allocated the same amount of income and expenses in proportion to your ownership share as everyone else.



Focus on learning and working together to optimize your portfolio performance.

If your portfolio grows well, all members will benefit, even if they don't benefit by exactly the same total amounts. You are a group working together to learn to manage a mutual fund. The fund doesn't care who owns what.

What matters is that each member is committed to participating in the group both monetarily and by providing research and education, not that each person owns exactly the same number of shares of the club.



While we're talking taxable items, another thing it's important for everyone to understand about your accounting has to do with what we call Individual expenses.

Investment club accounting is designed to account for Club expenses. Those are expenses that apply to all the members of the club and that can be divided up either by member ownership percentage (an equal amount per unit that you own)

or by an equal dollar amount charged to each member.

An expense that you want to divide up in any other way is what we call an individual expense.

You don't want to pay individual expenses with your club accounts. There is no benefit to doing so and it will complicate your club accounting.

Individual Expenses

- Subscriptions
- Stock Analysis Tools
- Educational materials for personal library
- Shrimp cocktails and martinis

Here are some examples of individual expenses:

Subscriptions if everyone doesn't participate in the subscription the same way. A common example of this is the personal portion of a Better Investing membership or an individual Manifest Investing membership where some club members want it and others don't


Unless your club feels stock analysis tools are a club expense that your club should use club funds to purchase all at once for each member, this is an individual expense. If individuals want individual copies, they should purchase it for themselves directly.

Same with educational Materials when they're only for one members personal library

Club dinner expenses come up fairly frequently. Unless you are dividing up a dinner tab based on member percentage ownership or equally between everyone, don't pay for your dinner with a club check or from a club account. There is no way in your accounting to allocate the costs in any other way to individual members.

Individual Expenses

NO BENEFIT



And, there is NO benefit to doing so. It will only make your treasurers job harder. To keep things simple, have individuals pay expenses directly that only apply to them. Don't deposit the money to cover them in your club accounts and don't pay for them with a club check.


Taxes



Club income and expenses that are allocated to you will determine the amount of taxes you will pay. Lets talk a little bit now about your tax obligations when you belong to an investment club.

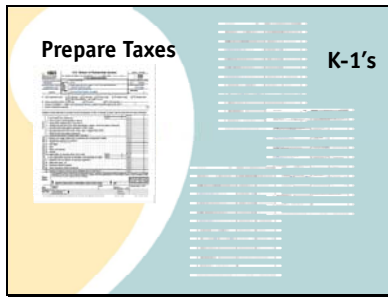
Partnership

Pass through



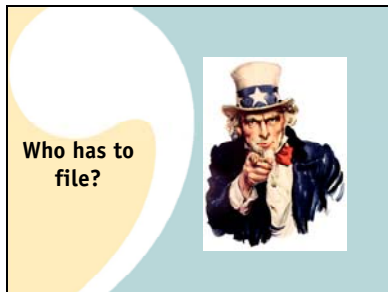
Clubs like yours that use bivio are operating as a type of business entity called a partnership or a type of entity taxed like a partnership called an LLC. Uncle Sam has specific rules partnerships must follow when it comes to accounting and tax reporting.

A partnership is what is called a pass through entity. There are no taxes paid directly by your club on your investment income. It is all divided up each year amongst your club members and they pay the taxes on it on their own personal tax forms.



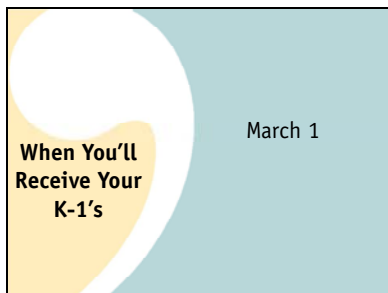
As a partnership, your club needs to file an informational tax return on IRS form 1065. It reports the amount of income your club had and the amounts that have been allocated to each member to pay taxes on.

Part of that return are forms called a K-1's. There is one for each member. You'll send all of them in with your club tax filing and you'll give each member his or her copy. He or she will transfer the information from this form to their personal tax forms and pay any taxes that are due on it there.



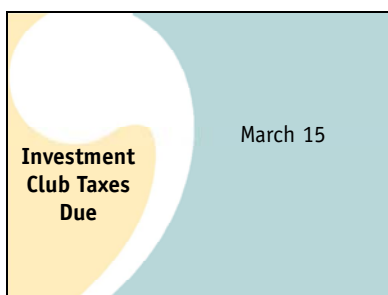
Who has to file?

You do. If your club has an EIN number you need to file club taxes. It does not matter how long your club has been in existence or how much income you have had. If anyone in your club thinks this is not the case, please refer them to a recent club café posting where a club was trying to figure out what to do about a \$33,000 penalty they had been assessed because their members did not think they had to file in a year when they only had a very small amount of income.



Don't expect to file your personal income taxes as early as you might have before you were in an investment club. You will need the income and expenses from your club K-1's to report on your personal taxes. You need to be aware that before your treasurer can prepare them, they will have to verify your club records against 1099 forms they'll get from your financial institutions.

Brokers have until February 15 to send them to your treasurer. Therefore, you'll probably find that a reasonable date to expect K-1's from your club is March 1. You'll have to confirm the exact date with your club treasurer before you make any appointments with tax preparers to get your personal tax forms done.



You should also be aware that the due date for filing your investment club taxes has changed.

Starting with the filing of your 2016 taxes, your club forms will be due by March 15. That means your treasurer will need to be ready to finalize tax forms quickly once 1099 forms are received. There are many steps they can take during the year and before the 1099's come out to get ready. We'll discuss some of these in the third part of this series.

Your Capital Interest In Your Partnership

There is another tax consequence you have as a member of a club. Because you are a member of a partnership, you have a capital interest in a business. There are similarities between this and the ownership interest you have in a corporation when you own stock. There are special tax rules that apply when funds are put into your club and when funds are taken out.

Partnership

- Tax basis
- Capital gains/losses

Just like when you own stock, you have a basis in your investment in your club

and you might have capital gains or losses when you withdraw funds from your club.

One thing club members often don't know is that the capital gains tax on withdrawals from your club is in addition to the taxes you will pay each year when you are given your K-1's. But don't worry, you won't get taxed twice. One of the things bivio does for you is to track all your financial history with the club so that when you eventually withdraw money, you will have the information you need to pay the appropriate taxes.

There are actually some nice tax rules relating to withdrawals taken from partnerships that you can use to your benefit to help you manage your taxes. We'll discuss those later.

Tax Basis

Your contributions
+/- Income or losses
+ Dividends/interest
- Expenses
- Withdrawals

Your tax basis in your club is determined by

the amount you've contributed over the years,

plus or minus your share of any income or losses your club has recognized by selling investments,

plus your share of any dividends and interest your club has received,

Minus your share of any expenses and

minus any money you've withdrawn from the club.

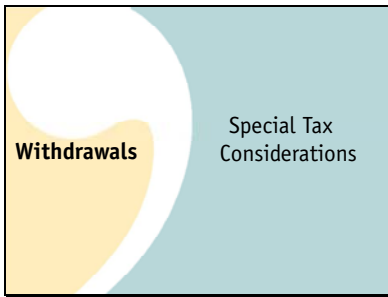
These are the things that have been reported to you each year on a K-1 and you've been taxed on your personal taxes.

You can find out what your

Current tax basis is on the member status report. If you withdrew all your money from the club on the date of the report you would have a capital gain or loss equal to the difference between this column, plus any allocations you've accumulated during the current tax year, and the

Market value of your share of the club shown in this column.

Name	Paid Since	Total Paid	Tax Basis	Units	Market Value	Percent
Right, Member	04/15/2013	760.00	760.00	62.048601	945.60	13.7%
Shawn, Member	04/15/2013	340.00	340.00	27.723214	340.00	4.9%
Paul, Member	04/15/2013	475.00	475.00	38.902600	475.00	6.7%
Paul, Member	04/15/2013	360.00	360.00	29.222171	360.00	5.1%
Franklin, Laura	04/15/2013	815.25	815.25	66.313400	770.00	10.9%
Shawn, Member	04/15/2013	800.00	800.00	65.409014	780.00	11.1%
Shawn, Member	04/15/2013	470.00	470.00	38.403100	470.00	6.7%
Tony, Member	04/15/2013	470.00	470.00	38.403100	470.00	6.7%
Tony, Member	04/15/2013	470.00	470.00	38.403100	470.00	6.7%
Total		4,400.00	4,400.00	362.809100	4,400.00	100.0%



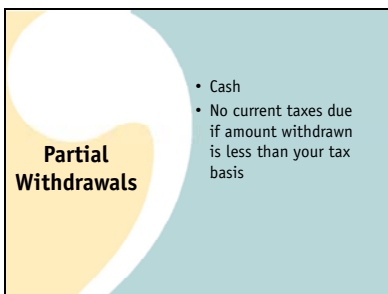
There are some interesting tax benefits to being a member of a partnership. They relate to taking money out of your club. Of course, withdrawals that are made too often make it difficult to manage an investment portfolio. Ask any fund manager whose mutual fund suddenly goes out of favor. But, there are cases where you or another club member might need to make a withdrawal so it is interesting to understand how they work.



First, you need to understand that there is more you need to do when someone withdraws than just look at what their account is worth and write them a check. This is a business you are withdrawing money from and there is a lot of accounting that needs to be done in vivo to update your records and prepare your taxes correctly. You don't have to do the accounting yourself

but you do have to know you need to determine the withdrawal amount and make the withdrawal entry using the special withdrawal form that I mentioned earlier.

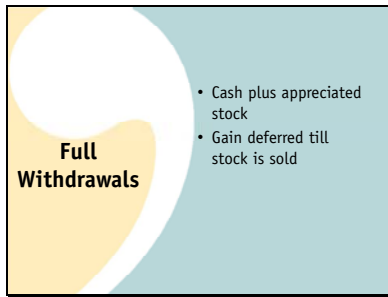
We'll be discussing withdrawals in more depth in the third presentation of this treasurers training series. Make sure you don't give a club member a check or tell a club member what they will receive without an understanding of how to fill in this form.



If you need to withdraw some, but not all of your funds from your club, you can do so with no tax consequences as long as you take

cash

and withdraw less than your tax basis. We call this a partial withdrawal.



If you need to withdraw all your money and are

paid using cash plus appreciated stock,

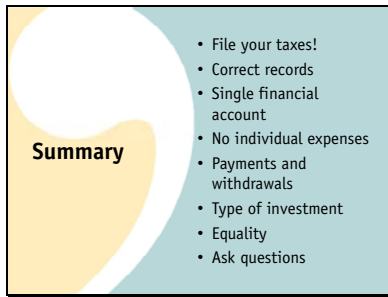
Much of any gain can be deferred until you sell the stock. The basis in the stock you receive will be your tax basis in the club minus any cash you also receive.

A gain that is taxed in the future is usually better than a gain that is taxed today so this presents some interesting opportunities for you to defer gains on your investment in your club, perhaps to a point in time when you have some personal capital losses to use to offset it. Or, if you never sell the stock you receive, and it continues to show a gain when you die, your gain will never be taxed. Under current tax rules, the basis of inherited stock is stepped up to fair market value for the people that inherit it.



So those are the highpoints of what everyone in an investment club should understand about their club finances. We've covered quite a bit today. I hope you can see why it is important for all the members of your club to have a basic understanding of them. If you stay within the guidelines for running your investment club that we have outlined here, your club treasurer does not have to be an accountant. In fact, using bivio, your club accounting will be very simple and anyone should be able to do it. Clubs only run into problems when they try create their own rules for operating without understanding the accounting and tax consequences of what they want to do. As we've been discussing, partnership accounting is a little different than what people may expect or be used to.

If you don't understand something your treasurer is doing or tells you they can't do, don't put your treasurer on the spot to be able to explain all the accounting or tax rules behind it. Any club member should feel free to email us at support@bivio.com with any questions. We're glad to help clarify things not only for your treasurer but for any other member of your club.



Just remember these few points and you will be able to run your investment club easily.

Make sure your club is filing annual tax returns.

Verify your records regularly- this can't be stressed enough. Make sure your treasurer gives a report each month and ask questions if you see something like a negative balance on a bank account. The current state of your finances is dependent on the dates of all the historical transactions. Make sure your records mirror what is happening in your financial accounts and that your ownership is being tracked correctly.

Keep your record keeping simple by operating with only a single financial account.

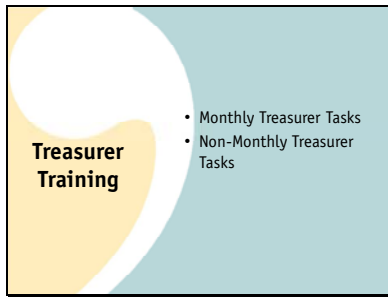
Only use your club financial accounts for investment related transactions that apply to all club members, not for individual expenses.

Make sure your club ownership is tracked correctly. All member contributions need to be entered as member payments and any payouts need to be determined and recorded as Withdrawals using the correct forms.

If you are unsure whether an investment is something that can be accounted for by bivio, ask us about it before you purchase it.

Define equality as meaning that everyone is allocated the same amount of income and expense per unit of the club that they own. Let go of the need for everyone to own the same percentage of the club.

Ask us at support@bivio.com if you have questions. We're glad to explain things to any member of a club. Expect your treasurer to know how to use the program but don't expect them to know all the underlying accounting.



For those of you who are or will actually be club treasurers or who want more specific detail on some of the topics we've discussed here there are two additional parts to this treasurer training series that are coming up.

First we'll discuss monthly treasurer tasks. We will show you how to handle and record member payments, stock purchases and sales and investment income. We'll cover how you should reconcile your records and give your monthly treasurer's report. We'll also show you how you can set up bivio AccountSync to do many of these things for you automatically each month!

In the third part of the series, Non Monthly Treasurers Tasks, we'll show you how to do some of the treasurer tasks you'll do less frequently such as how to enter a withdrawal, how to enter club expenses, how to reimburse a member who pays an expense, what to do if a member pays in advance, your annual club audit and what you will need to know about preparing your club's taxes.

Everyone is welcome. Both of these sessions are online and free. You can register to join us at www.bivio.com/club_cafe. Hope to see you then!

