

Audit Party!



Auditing Your Club Records

What is an Audit?

**A verification of the accuracy of
your club's records by other than
the club treasurer**

Oversight

**Why You
Need to
Audit**





You do an audit for a variety of reasons.

For example, you should know that your treasurer is doing what you think they're doing with your club finances

This is an especially important question if it seems like they've been taking a lot of beach vacations lately.

Why You Need to Audit

Correct Taxes






You want to make sure your taxes are prepared accurately. Just because your bivio site shows a lot of numbers doesn't mean they're useful for anything. Without verification your taxes may just be

garbage in
garbage out

Why You Need to Audit


Ownership records correct

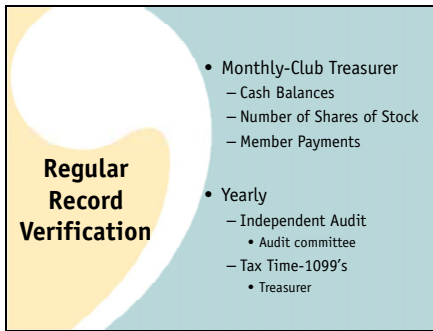
You want to make sure each member's ownership is being tracked accurately so that income and expenses are divided up correctly and the tax status of your account is being tracked correctly.

Why You Need to Audit

Demystify
Share responsibility



And finally, it's important to demystify your club's finances and spread the burden of making sure your club is keeping accurate records. Your club treasurer has a big responsibility because your club has to comply with partnership tax requirements. Unlike your investing activities, the IRS is not as forgiving in terms of you being a novice doing so. It's important that every club member have a general understanding of what club accounting is about and what can and cannot be easily handled by your treasurer. The simpler your club finances, the simpler your audit will be. And there's no reason not to keep things simple.



There are several types of regular verification that should go on in your club. Each provides a little bit different type of verification. But they all interrelate.

Each month, your club treasurer should:

Confirm Cash Balances and
Number of Shares of Stock agree with your brokerage statements.

They should also have you confirm your Member Payments were recorded correctly

Yearly, we recommend

First, that you do an Independent Audit-

This should be done by an audit committee which does not include your treasurer

At Tax time, your treasurer will do a final check to verify that your 1099 agrees with your club records and what is reported on your tax forms

It may look like a lot of work but if you use AccountSync to make entries in your records, you set up your record keeping to be simple and your treasurer verifies everything monthly, any year end verifications should go very quickly.

Today we're discussing in depth, how to do your club Audit.

When Should You Do An Audit?

- Suggestion
 - January

Why?

- Correct records
- Time Available

When should you do an audit?

You can do an audit at any point during the year but we recommend that you do it in January.

This is after your regular December, end of year brokerage statements are ready

Why do we recommend January?

The biggest step in doing your club taxes is getting your records in shape. If your records are verified in January, doing taxes in February when 1099's arrive will be a very quick process.

And, of course January is often a slower month in terms of activities so you might have more time available. For those who get antsy about getting taxes done an audit helps fill time till taxes can be prepared.

What are You Going to Do During Your Audit?

- Compare bivio Entries
 - Reports
 - Transaction lists
- Financial Institution Records
 - Statements
 - Summary lists

So what exactly are you going to do during your audit?

You're going to compare the entries you've made in bivio.

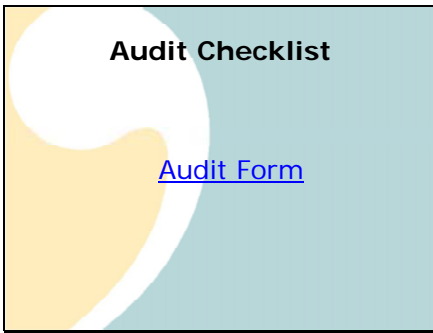
To your financial institution records

You do this using reports

And transaction lists from bivio and

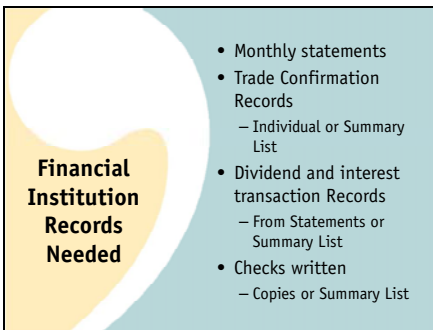
Statements and

Summary lists from your brokerage and bank if you use one.



We provide you with an audit checklist which gives you the steps to go through. You'll find a link to it from our club café page or our help page.

It looks like this. We'll be going through all the steps in detail in this presentation so you can get a good idea of what needs to be done.



The first part of doing your audit is gathering the information you'll be comparing. You'll find a list of what you'll need in the audit packet. It will include:

Monthly statements

Trade Confirmation Records

Individual or Summary List

Dividend and interest transaction Records

From Statements or Summary List

For any checks you've written, you'll need

Copies or a Summary List

Your treasurer may be the person who is most familiar with both your financial institution records and with using bivio so it will usually be their job to gather this information.



Sometimes one of the learning experiences about doing an audit is learning the types of information and the way you can get it from your brokerage website.

For example, during your audit you'll need access to your monthly statements. (demo how to get to them from Folio Filing cabinet)

You'll also be looking at specific types of transactions in bivio such as dividend payments. What's nice is that you can get lists of just specific types of transactions at your brokerage website. (demo how to get dividend list from Folio transaction history link)



Put NT info into demo club to use to demo this.

Show how to get to each of the reports

Valuation Report

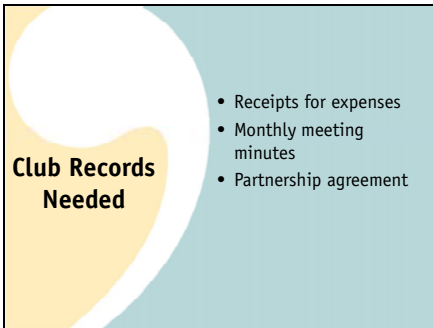
Transaction History Report

Income Statement

Member Contributions and Withdrawals report.

Withdrawal Reports

Transaction Lists (accounting>Accounts)



You also might need to refer to files you have stored in your files area such as:

Receipts for expenses

Monthly Meeting Minutes

Authorization of Expenses, stock transactions, withdrawal discussions

Partnership Agreement

Terms for Paying Withdrawals

Allocation of Expenses

Audit Steps

- 1) Verify cash balances and number of shares of stock –start of tax year
- 2) Verify cash balances and number of shares of stock-end of tax year
- 3) Verify income received
- 4) Verify expenses recorded
- 5) Verify stock transactions
- 6) Verify accuracy of member contributions
- 7) Verify accuracy of withdrawals

Once all your records are gathered, the information is given to the auditors. The audit guide includes 7 steps we recommend you do to audit your records. They are:

- Verify cash balances and number of shares of stock –start of tax year
- Verify cash balances and number of shares of stock-end of tax year
- Verify income received
- Verify expenses recorded
- Verify stock transactions
- Verify accuracy of member contributions
- Verify accuracy of any withdrawals

Next, we will go through each of these steps in more detail. We'll talk about why you do it, go through an example of how you do it and discuss what to do if you find any discrepancies.

Step 1 - Check end of year cash balances and number of shares-prior tax year

→ Bivio Valuation report dated 12/31/2010

→ Brokerage statement 12/31/2010

Compare cash balance and number of shares of stock

Records Agree

Discrepancy Noted

Audited By: _____

Your first step is to confirm that you started out the tax year with correct records. To do this you'll be comparing the brokerage statement from the end of the prior tax year to a bivio valuation report with the same date.

First, you'll compare the cash balances between the two reports.

The image shows a screenshot of a financial spreadsheet. Two red boxes are drawn around columns of data in the upper section. In the lower section, another red box highlights a specific row of data, likely representing a comparison of shares or values.

Then you'll compare the number of shares of each stock between the two.

The number of shares should agree exactly

There may be slight variations in market value (a few pennies). This is not a problem and there is no reason to try and find anything to fix. But, if there is a big difference, you should investigate further to make sure you do not have unlisted investments without current prices.

Step 1
Prior tax year
balance check

- *Why?*
- To start off right
- *Discrepancy?*

STOP

Why do we do this step?

Because if the start of year numbers are off, there is no way the 2011 numbers will be correct.

What do you do?

You need to stop the audit at that point and assess the situation. There are many things in your clubs historical transactions that are still affecting your current record keeping. It is important to know they are correct or it will not be possible for your 2011 records to be correct.

It could be as simple to fix as a small adjustment or as complicated as filing amended returns for your club for prior tax years. Feel free to contact us in support if you find a problem and are not sure what to do to address it.

Step 2-Check end of year cash balances and number of shares current tax year

- Invo Valuation report dated 12/31/2011
- Brokerage statement 1/22/2012
- Compare cash balances and number of shares of stock

1) Balance Correct
2) Discrepancy Noted
3) Discrepancy

Audited By: _____

If you get past step one, it's fine to move on to the rest of the audit. In step 2, the same comparisons are made using the same forms you used for the previous year numbers, a valuation report and an end of year brokerage statement.

Step 2
Current tax year
balance check

- Why?
- Heads up
- Discrepancy?
- Proceed

Why do you do this step?

It will give you an indication that there are items you need to find. Going through the steps of the audit will bring out where they are and what they are. Once you've found them, you'll give them to your treasurer to fix.

So for step 2, even if you find a discrepancy,

You do not need to stop. Make a note of it and move forward with the next steps of the audit.

Just a note at this point. Comparing cash balance and number of shares of stock, like we do in steps 1 and 2 is something your treasurer should do every month to reconcile your accounts. If you do this, you can have a reasonable degree of comfort that your bivio records are being kept correctly.

However, these checks do not examine everything. The next steps in the audit will make sure some of the finer details of your records are also accurate.

Step 3-Verify Income Received

- Bivio Income Statement dated 2011
- Brokerage Statement 1/2/11/2011
- Compare total Dividends (Qualified +MM)
- Compare Total Interest
- Issue Transaction History report dated 1/2/11/2011
- Brokerage dividend transaction list 1/1/2011 12/31/2011
- Compare dividend transactions date, amount and company

1) Reconcile Agree
2) Discrepancy Noted
Description: _____
Audited By: _____

Step 3 is where you verify the entries for any income you have received. This will be dividends and interest. You'll be using a bivio income and transaction history report. From your broker you'll use your brokerage statement and a dividend transaction list.

Step 3-Part 1

First you'll compare dividend and interest totals on the income statement to those on the brokerage year end statement.

Note that interest on money market accounts may show up as dividend income on your brokers statement. Make sure it is correctly identified as such in your bivio records

Step 3-Part 2

| Date | Description | Amount |
|------------|-------------|--------|
| 01/01/2011 | ... | ... |
| 01/02/2011 | ... | ... |
| 01/03/2011 | ... | ... |
| 01/04/2011 | ... | ... |
| 01/05/2011 | ... | ... |
| 01/06/2011 | ... | ... |
| 01/07/2011 | ... | ... |
| 01/08/2011 | ... | ... |
| 01/09/2011 | ... | ... |
| 01/10/2011 | ... | ... |
| 01/11/2011 | ... | ... |
| 01/12/2011 | ... | ... |
| 01/13/2011 | ... | ... |
| 01/14/2011 | ... | ... |
| 01/15/2011 | ... | ... |
| 01/16/2011 | ... | ... |
| 01/17/2011 | ... | ... |
| 01/18/2011 | ... | ... |
| 01/19/2011 | ... | ... |
| 01/20/2011 | ... | ... |
| 01/21/2011 | ... | ... |
| 01/22/2011 | ... | ... |
| 01/23/2011 | ... | ... |
| 01/24/2011 | ... | ... |
| 01/25/2011 | ... | ... |
| 01/26/2011 | ... | ... |
| 01/27/2011 | ... | ... |
| 01/28/2011 | ... | ... |
| 01/29/2011 | ... | ... |
| 01/30/2011 | ... | ... |
| 01/31/2011 | ... | ... |

Next you'll compare the specific entries using dividend transaction lists. You'll confirm the date of receipt, amount and company who paid a dividend. These details are important for correctly determining Qualified/Non Qualified status

Step 3
Verify income received

- Why?
- Correct amount and classification
- Discrepancy?
- Proceed
- Note corrections

Why do you do this step

Have to pay tax on the income. It has to be classified correctly so it agrees with 1099's and you are taxed at the proper rate on it.

What do you do if there is a discrepancy?

Proceed with Audit.

Note entries where corrections are needed.

Step 4-Verify Expenses

Bivio Income Statement Report dated 2011
 Brokerage Summary List of Checks written or copies of checks
 Verify expenses actually paid
 Verify receipts for all expenses recorded
 Verify all Expenses authorized by club
 Verify expenses correctly recorded as deductible or non deductible.
 Bivio Transaction History Report 12/31/2011
 Club Partnership agreement
 Verify Expenses Allocated as club requires (in transaction notes)

Records Agree
 Discrepancy Noted
 Description _____

 Audited by _____

A club usually has very few expenses but there may be tax consequences to them. In this step you will make sure they were both authorized and actually paid and that they were recorded correctly.

To do this, you will need meeting minutes to show expenses were authorized and receipts and cancelled checks or a summary list of checks paid from your brokerage to show expenses were actually paid. These will be compared against a transaction history report from bivio.

You'll also need to know how your club has agreed to allocate expenses. Be default and per IRS regulations, expenses are allocated in proportion to ownership share. If you want to allocate them equally to each member, you need to make sure this method is specifically called out in your partnership agreement.

Step 4- Verify Expenses Paid

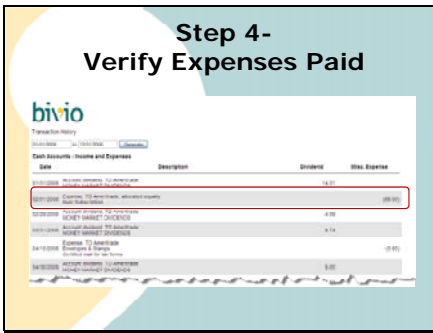
The screenshot displays the Bivio 'Income and Expense History' page. It features a table of deductible expenses and a linked payment receipt. A red arrow points from the first expense entry to the receipt details.

| Deductible Expenses | | |
|---------------------|---|--------|
| Date | Comments | Amount |
| 02-01-2008 | Bank Subscription | 30.00 |
| 04-15-2008 | Evansville & Warsaw, Carmel Mail for Jan 2008 | 5.00 |
| | | 154.00 |

Payment Receipt
Service: Accountants
Date: 01-29-2008
From: 02-14-2008
Amount: 30.00
To: 01-29-2008
By: Bruce White

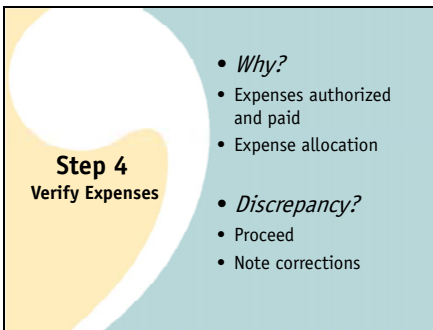
If you have recorded any expenses in bivio, you'll find a link on the Income statement report which will take you to a listing of what was recorded.

Make sure you have meeting minutes that show where each expense was authorized and a receipt to show it was actually paid.



To Confirm that the expense was allocated as your club has agreed to in your partnership agreement, go to the Transaction history report.

If you see a note that an expense was allocated equally, make sure that this is something you have all agreed to that is spelled out in your partnership agreement.



Why do you do this step?

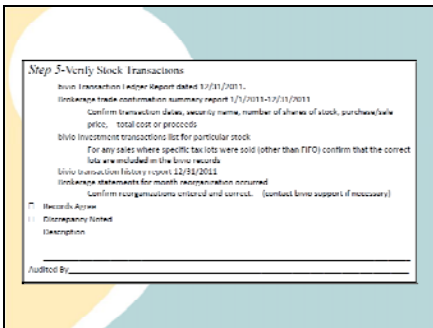
It verifies any expenses were authorized by the club and were actually paid.

It also verifies that expenses were allocated to club members in the method your club has agreed on.

What do you do if there is a discrepancy?

Proceed with Audit.

Note entries where corrections are needed.



Step 5 is to verify that all your stock transactions have been entered correctly. You want to do this so you know that the value of your portfolio is being tracked properly and that capital gains and losses when you sell stock will be calculated and reported correctly on your taxes.

When you own stock, you need to keep records of its tax basis. Basis is determined by purchase price, any commissions you paid to purchase it and may also be affected by any reorganizations such as mergers, splits or spinoffs.

If you have purchased the same stock at different times, you will have multiple lots of stock to track, each of which will have a different basis.

That's why it's good you are using a computer program. One of Bivio's jobs is to keep track of all of this for you as long as you make sure the purchases are entered correctly.



The first thing you should do for this step is to compare the stock purchases and sales in the bivio transaction ledger

to a summary list of purchases from your brokerage. You want to make sure these things agree:

Purchase/Sale prices and number of shares at your broker

And in bivio

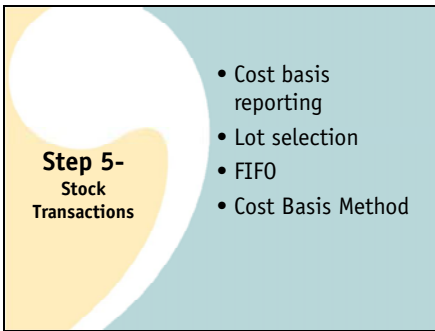
Purchase/Sale Dates at your broker

And in bivio

Total proceeds at your broker

And in bivio

Total proceeds are your total cost basis for shares you've purchased or the total that will be used to calculate your gain or loss if you've sold a stock.



There's a new tax law in place in which brokers are required to report your cost basis and capital gains to the IRS.

If you own different lots of a stock and you don't sell it all at one time, you will need to specify which lots you are selling. You need to tell the broker prior to the settlement date of the sale.

By default, lots are chosen on a first in first out basis.

This is now called your cost basis method by your broker. If you had a sale and you have told your broker to use a cost basis method which is different from First In First Out, you will need to make sure the correct lots have been chosen in bivio to record the sale or your bivio records will not agree with what the broker reports



Choosing lots other than FIFO is a manual adjustment you will need to make in bivio.

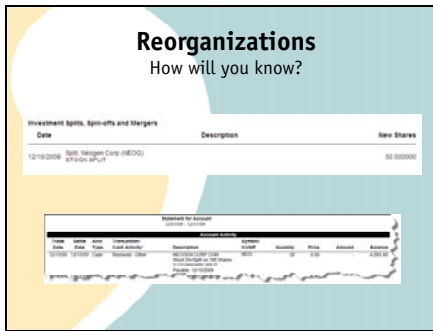
You can click on any sale on your list and it will open up the sale entry form.

In the middle of this form, you'll see a little button labeled "Lots"

If you click on it, you'll see all the lots you own of the stock which was sold. By default, the oldest lots were chosen as the ones sold. If you specified something different at your broker, you can identify the correct lots here.

Brokerages are only required to report numbers cost basis numbers starting with stock you have purchased in 2011. This means that though they may show you capital gains and losses now, the amounts they show may not be correct. This often happens when you have changed brokers or there have been reorganizations that affect your stock. If you know you have all the transactions recorded correctly in bivio, your bivio records will show you the correct amounts for gains and losses and you don't need to worry about what the brokerage is showing. That is part of the reason we perform this step during the audit.

If something doesn't agree and you have questions about it, feel free to contact us in support and we will help you double check that your records are correct.



The other thing which may affect stock basis values are reorganizations such as stock splits, spinoffs etc. These can get complicated and it is important they be entered in your records. Making sure this happens is part of the service you receive from bivio.

How will you know that there has been a reorganization entered? There are several clues you might find that will alert you.

First, there is a section on the transactions history report that will show you if your treasurer has entered an event.

Or, you may find that the number of shares of stock may not agree with brokerage statement (if treasurer hasn't recorded reorganization)

Finally, whoever in your club is watching each stock should have made sure the club was alerted when news of the reorganization came out. You should ask your club members prior to the audit to double check the stocks they are following.

To assess what has been entered, first find the brokerage statement for the month reorganization occurred and look at the transactions that are listed.

Make a note to ask your treasurer how they determined what to enter

If there's any doubt about an entry, feel free to ask bivio support for confirmation. We will do any necessary research and make sure correct entries are made for you.

Entering reorganizations correctly can be one of the most difficult things your treasurer needs to do. Part of what you receive when you have a bivio subscription is access to experts that can help you account for them correctly.

Step 5
Verify stock transactions

- Why?
- Verify value
- Verify basis
- Discrepancy?
- Proceed
- Note corrections

Why do you do this step?

First, it verifies that all stock transactions have been recorded so that value of club is being calculated correctly. Second, it verifies that basis is being tracked correctly so that correct capital gains and losses will be reported on your Income taxes correctly

What do you do if there is a discrepancy?

Proceed with Audit.

Note entries where corrections are needed.

Step 6-Verify Member Contributions

- Review Member Contributions and Withdrawals report dated 2011
- Club partnership agreement
- Brokerage Deposit transaction summary list 2/2/2011-2/2/2011 or monthly statements
- Verify Club members have confirmed amounts contributed.
- Have members sign off on report
- Verify Form 1099s contain correct Valuation Date
- Verify Deposits made in brokerage account
- Bivio Transactions History report dated 12/31/2011
- Verify entries have been recorded as payments, not fees or miscellaneous income.

Discrepancy Notes:
Description: _____
Audited By: _____

Step 6 confirms that your members contributions to the club have been recorded accurately. This is very important because it affects member ownership. Both the percentage of the club assets that a member owns as well as the gains or losses he has had from his investment in the club.

To do it, you'll use the bivio member contributions and withdrawals report and the transaction history report. You also might want access to your club partnership agreement

You'll be comparing these things to your brokerage deposit transaction summary list or monthly statements from your broker.

Step 6
Verify Member Payments

bivio

Member Contributions and Withdrawals for 12/31/2010 to 12/31/2010
Reporting period by calendar month, with selected items (02/20/2011)

| Name | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| John | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Jane | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| John | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Jane | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |

Summary results for 12/31/2010 to 12/31/2010

| Date | Description | Amount |
|---------------------|------------------------|--------|
| 02/02/2011 10:24:37 | PERSONAL CHECK RECEIPT | 10.00 |
| 02/02/2011 10:24:37 | PERSONAL CHECK RECEIPT | 10.00 |
| 02/02/2011 10:24:37 | PERSONAL CHECK RECEIPT | 10.00 |
| 02/02/2011 10:24:37 | PERSONAL CHECK RECEIPT | 10.00 |
| 02/02/2011 10:24:37 | PERSONAL CHECK RECEIPT | 10.00 |
| 02/02/2011 10:24:37 | PERSONAL CHECK RECEIPT | 10.00 |
| 02/02/2011 10:24:37 | PERSONAL CHECK RECEIPT | 10.00 |

First of all, your treasurer should require all members to review the annual member contributions and withdrawals report prior to the audit and confirm that what is shown as their contributions is correct. Have them initial the report for your records

The audit committee should compare the report to a deposits transaction list or to your brokers statements to confirm that the payments really were deposited in your brokerage account.

Step 6
Verify Member Payments

Member Contributions and Withdrawals from 01/01/2008 to 12/31/2008
Payments grouped by transaction month, with valuation dates (0000,0000)

| Name | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| White Snow | 25.01 | 25.01 | 25.01 | 25.01 | 25.01 | 25.01 | 25.01 | 25.01 | 25.01 | 25.01 | 25.01 | 25.01 | 270.11 |
| Doc | 100.04 | 100.04 | 100.04 | 100.04 | 100.04 | 100.04 | 100.04 | 100.04 | 100.04 | 100.04 | 100.04 | 100.04 | 1,100.44 |
| Shary | 230.07 | 230.07 | 230.07 | 230.07 | 230.07 | 230.07 | 230.07 | 230.07 | 230.07 | 230.07 | 230.07 | 230.07 | 2,530.83 |
| Sneezy | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 1,100.00 |
| Wally | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 25.00 | 275.00 |
| Wendy | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 1,100.00 |
| Wendy | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 1,100.00 |
| Total | 400.21 | 400.21 | 400.21 | 400.21 | 400.21 | 400.21 | 400.21 | 400.21 | 400.21 | 400.21 | 400.21 | 400.21 | 4,470.21 |

You'll also want to check the Valuation Dates that were used to record the payments

- First of all, you will need to know the answer to the question, what does your club use for valuation date?
- Usually clubs use either one per month, or they set the valuation date equal to the date a payment was deposited
- If they use one per month you should see two things on this report
 - For a given month, they should all be the same
 - And, they should not be the same month to month
- If the valuation date were set equal to the deposit date.
 - You might see different valuation dates for each entry on this report.
 - But, the dates you see should agree with the payment deposit dates on your brokerage list.
- This club uses a single valuation date per month.

In March we see that the valuation dates entered for Snow White and Sneezy were different

than the ones entered for the others. This doesn't look right. It is something to note and have the treasurer check into.

For some months, there are no payments recorded for certain members. Is that OK? Are the total contributions for the year correct for the members? That is why one of the parts of this audit step is to have the members confirm their totals.

Step 6
Verify Member Payments

Member Contributions and Withdrawals

| Date | Description | Cash | Units |
|------------|------------------------------------|-----------|------------|
| 02/28/2009 | 6 member payments | 400.21 | 361.147242 |
| 03/01/2009 | 7 member payments | 300.20 | 268.429291 |
| 03/01/2009 | Payment - Receipt | 100.00 | 1.142404 |
| 03/01/2009 | MEMORIAL CHECK RECEIPT | 400.00 | 37.209216 |
| 04/01/2009 | 6 member payments | 400.00 | 37.158276 |
| 05/01/2009 | 7 member payments | 300.70 | 268.848232 |
| 07/01/2009 | 6 member payments | 400.00 | 36.207164 |
| 08/01/2009 | 6 member payments | 400.00 | 36.156224 |
| 09/01/2009 | 6 member payments | 300.70 | 268.848232 |
| 10/01/2009 | 6 member payments | 400.00 | 36.156224 |
| 11/01/2009 | 6 member payments | 400.00 | 36.156224 |
| 12/01/2009 | 6 member payments | 400.00 | 36.156224 |
| 12/31/2009 | Put miscellaneous income 20 01 Jan | 48,807.00 | 444.177881 |
| 12/31/2009 | 6 member payments | 250.70 | 226.209296 |
| 12/31/2009 | 6 member payments | 400.00 | 36.207164 |
| | | 42,470.21 | 400.000000 |

The final thing you want to do us to use the transaction History report to confirm that member deposits have been recorded as member payments not as fees or miscellaneous income.

If each listing in this section is identified as a member payment

And the total amount equals the total on the member contributions and withdrawals report, you know things have been recorded correctly.

Step 6
Verify member payments

- Why?
- Member investments correct
- Discrepancy?
- Proceed
- Note corrections

So in summary, why do we do this step?

It verifies that all member investments are being tracked correctly.

What do you do if there is a discrepancy?

Proceed with Audit.

Note entries where corrections are needed.

Step 7-Verify Withdrawals Paid Correctly
bivio Withdrawal reports for year being audited

Club Partnership Agreement
Verify valuation date used to calculate withdrawal payment agrees with Partnership Agreement

Verify transaction date to date check was given to withdrawing partner
Verify accounts properly reconciled before processing withdrawal report (No post withdrawal adjustments)

Do Discrepancy Agree?
Discrepancy Detail?
Description:

Audited By

*You will be notified via email if there is a discrepancy. It is your responsibility to correct any discrepancy. This will be up to your club to determine. When you print the report, you will be notified via email if there is a discrepancy. (See below for more details.)

Your final check will only be necessary if you have paid out any withdrawals during the year. It will confirm that withdrawals were processed according to the terms in your partnership agreement and that the correct amounts were paid.

Step 7
Verify Withdrawals Entered Correctly

bivio

Withdrawal Report

Member Valuation Date: 12/31/2020

| | | | |
|---------------------------------|----------|-------|----------|
| Withdrawal Type | 10/24/20 | CASH | 4,007.00 |
| Withdrawal Type | 08/27/20 | STOCK | 0.00 |
| Member's Date After Withdrawal | 08/27/20 | | |
| Member's Date Before Withdrawal | 08/27/20 | | |
| Member's Date After Withdrawal | 08/27/20 | | |
| Member's Date Before Withdrawal | 08/27/20 | | |
| Member's Date After Withdrawal | 08/27/20 | | |
| Member's Date Before Withdrawal | 08/27/20 | | |
| Member's Date After Withdrawal | 08/27/20 | | |
| Member's Date Before Withdrawal | 08/27/20 | | |
| Member's Date After Withdrawal | 08/27/20 | | |
| Member's Date Before Withdrawal | 08/27/20 | | |

Withdrawal Report Summary

Withdrawal Type: CASH, STOCK, OTHER

Member's Date After Withdrawal: 08/27/20

Member's Date Before Withdrawal: 08/27/20

Member's Date After Withdrawal: 08/27/20

Member's Date Before Withdrawal: 08/27/20

Member's Date After Withdrawal: 08/27/20

Member's Date Before Withdrawal: 08/27/20

Member's Date After Withdrawal: 08/27/20

Member's Date Before Withdrawal: 08/27/20

To determine whether a withdrawal was paid according to the club partnership agreement, you will have to find the section describing the requirements and then review the withdrawal reports to make sure the entries had

Proper valuation date

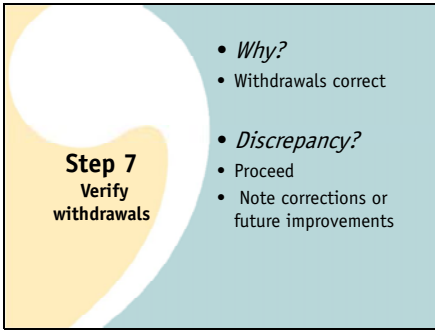
Correct transaction date

Correct fee assessed (if any)

You should also make sure that your club records had been reconciled before the withdrawal amount was determined. If they were not, you might see

“post withdrawal adjustments”

note that if a withdrawal has been paid, it may be impossible to correct discrepancies. This will be up to your club to determine. However, you should still note discrepancies as recommendations for future improvement



Step 7
Verify
withdrawals

- *Why?*
- Withdrawals correct
- *Discrepancy?*
- Proceed
- Note corrections or future improvements

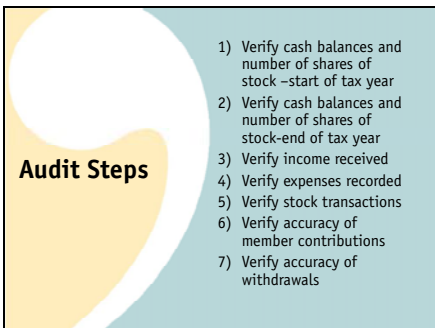
So why are you doing this step

Verifies you have paid withdrawals according to the method agreed to in your partnership agreement

What do you do if there is a discrepancy?

Proceed with Audit.

Note entries where corrections or future improvements are needed. As I mentioned earlier, if a withdrawal has been paid, it may be impossible to correct discrepancies because the member has left and may have already received and cashed the check. . It will be up to your club to determine whether to pursue making corrections. You should still note discrepancies as recommendations for future improvement)



Audit Steps

- 1) Verify cash balances and number of shares of stock –start of tax year
- 2) Verify cash balances and number of shares of stock-end of tax year
- 3) Verify income received
- 4) Verify expenses recorded
- 5) Verify stock transactions
- 6) Verify accuracy of member contributions
- 7) Verify accuracy of withdrawals

So to summarize, when you're done you will have completed these steps

- Verify cash balances and number of shares of stock –start of tax year
- Verify cash balances and number of shares of stock-end of tax year
- Verify income received
- Verify expenses recorded
- Verify stock transactions
- Verify accuracy of member contributions
- Verify accuracy of any withdrawals



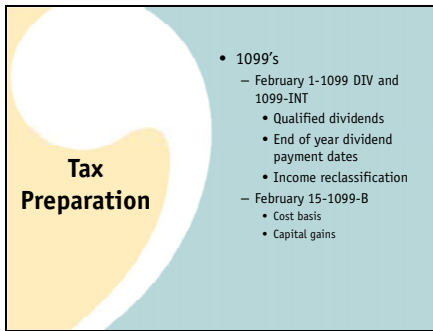
Once the auditors have gone through the steps here's what should happen

They should discuss any discrepancies found with the treasurer and report them to the club

Treasurer should report on the action taken to make corrections

Everyone should sign off on the Audit form and

You should pat yourselves on the back! It's Party Time!



Just a brief not about club taxes. The audit covers most of the work which needs to be done, which is making sure your records are correct.

Once it is complete, there are just a couple more things your treasurer will need to do to get your taxes prepared. They will need to make sure the information on the 1099 forms your broker sends agrees with the information you will report on your taxes. We will cover this topic in more depth when we do the tax prep webinars but just to give you an idea.

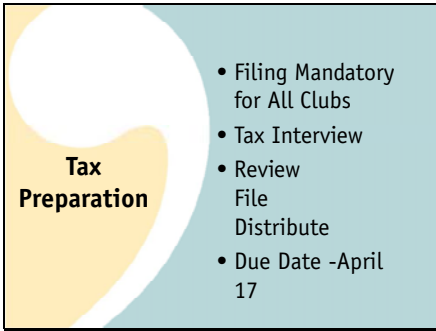
Forms 1099 DIV and 1099 INT are supposed to be sent to you by February 1. They show the amount of dividends and interest you've received. Sometimes there are small things you will find on these that will mean last minute adjustments to your bivio records. They include things like:

Qualified versus Non Qualified Dividend Split
Dates on end of year dividend payments
Possible reclassification of dividend income

Brokers have until February 15 this year to get you 1099 B forms. This is where your

cost basis and

capital gains will be being reported. You will need to double check to make sure they are the same as what your bivio records show



Tax Preparation

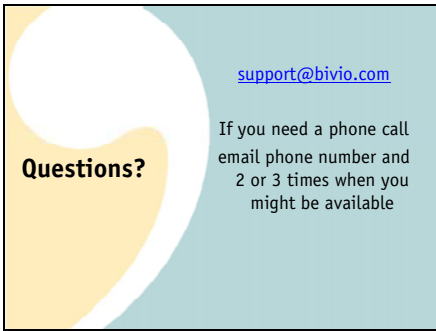
- Filing Mandatory for All Clubs
- Tax Interview
- Review File Distribute
- Due Date -April 17

Filing taxes is mandatory for all clubs. It does not matter how much income you've made or how long you've been in existence.

The good news is that once your records are all correct, actually preparing your taxes is a very quick process. You answer a few questions and press a button.

Then you review the forms, send them in and distribute them to your members

They are due by April 17



Questions?

support@bivio.com

If you need a phone call email phone number and 2 or 3 times when you might be available

So that's how to do an audit. If you have any questions as you're going through yours, the quickest way to get an answer is to email us at support@bivio.com

Even if you'd like us to call you,

if you can email us and let us know your phone number and 2 or 3 times you might be available for a call, it helps us get back to you most efficiently.



Tax Preparation Webinars

February 4, 1:00PM ET
February 13, 8:30PM ET

www.bivio.com/club_cafe

The bivio tax program will be available in early to mid February.

We will be doing webinars on how to prepare your taxes on February 4 at 1:00 PM ET

And February 13 at 8:30PM ET.

You can register for those now at www.bivio.com/club_cafe



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