

**Audit Party!**



**Auditing Your Club Records**

Does your club reconcile your bivio records every month?

**Poll 1-  
True Confessions**

**Poll 2-  
Are You Planning to Do Your  
Club  
Audit this Weekend?**

**What is an Audit?**

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

**Why You Need to Audit**

Oversight





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 members 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 clubs 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.

**Regular Records Verification**

- Monthly Reconciliation-Club Treasurer
  - Cash Balances
  - Number of Shares of Stock
  - Member Payments

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

Each month, your club treasurer should do a monthly reconciliation. This should go very quickly. They just need to

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

A brief report on these things should be part of the treasurers report at your club meetings.

**Regular Records Verification**

- Yearly
  - Independent Audit
    - Audit committee
  - Tax Time-1099's
    - Treasurer

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 's agree 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. Our treasurer training webinars get into more details about doing monthly reconciliations and our tax preparation webinars will be getting into further details about what to look for on your 1099's.

**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.

Why do we recommend January?

First, your regular December, end of year brokerage statements are ready. 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.

What else do you have to do in January?

For those who get antsy about getting taxes done an audit helps fill time till taxes can be prepared

For those who live in cold climates, who wants to go outside in January? You can do your audit inside where it's nice and warm!

**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

**Audit Checklist**

[Audit Form](#)

To help you do your audit, we provide you with an audit checklist which gives you the steps to go through. You'll find a link to it from our help page.

It looks like this.

(page down) It contains instructions,

(page down) A list of the records you'll need to make your audit checks and

(page down) A detailed description of what you should do for each step. We'll be going through all these steps in detail so you can see what needs to be done.

**Financial Institution Records Needed**

- Monthly statements
- Trade Confirmation Records
  - Individual or Summary List
- Dividend and interest transaction Records
  - From Statements or Summary List
- Realized Gain/Loss report
- Checks written
  - Copies or Summary List

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. Things you'll need from your brokerage account are:

### Monthly statements

### Trade Confirmation Records

You might have individual ones or your broker might be able to provide you with a special report that is a list Summarizing them all

### Dividend and interest transaction Records

You can find these on your monthly Statements or, again, you might be able to find a Summary List

Realized Gain/Loss Report – This will show you the capital gains that your broker will be reporting to the IRS

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

Something to verify that checks were paid by your broker.

Proof could be Copies they provide 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 they may need to help you find and gather this information.

**Financial Institution Records Needed**

- Where do you get these?  
[Brokerage Website](#)

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.

Here's an example of some things you'll find there.

For example, here's how you might access your monthly statements. (demo how to get to them from Folio Filing cabinet by selecting statements and tax records link at top of page)

Brokers are now providing a "Realized gain/loss report" or, as Folio calls it a "Closed Tax Lot" report. As we will see later, this will be compared with the capital gains report in bivio to make sure your capital gains and losses will be reported correctly on your taxes. (Spreadsheet under Tax Items)

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 transaction list from Folio transaction history link)



You'll be comparing your brokerage information to a variety of reports you'll find in

bivio.

(Put NT info into demo club to use to demo this)

First you want to enter the date of the report you want to look at. For many of the ones you need, it will be the last day of last year.

You'll be using a Valuation Report to audit your cash balances and number of shares of each stock.

You'll use the Transaction History Report when you audit specific types of transactions such as dividends you've received.

Your Income Statement will show you dividend totals by company

The Member Contributions and Withdrawals report will show you the amount each member contributed each month and the valuation date you used to record the payment

The Capital Gain and Loss Report will show you whether your cost basis information and gain/loss information agrees with what your broker will be reporting to the IRS

Withdrawal Reports will show what valuation date you used to determine what a person was owed, the date they were withdrawn from the club and the amount of any fees that were charged. In addition, if you see any "post withdrawal adjustment" entries, you will know changes were made to your club records after the withdrawal was entered.

You'll also find Transaction Lists, which give you the chronological list of transactions and a running balance, very useful. You don't get to these from the Reports page, you get to them from your accounting pages. For example if you go to Accounting and click on the name of one of your accounts, you'll get a list of all the transactions that have been recorded for that account. This also works for the members page and the investments page.



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

**Club Records Needed**

- Receipts for expenses
- Monthly meeting minutes
- Partnership agreement

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

Receipts for expenses

Monthly Meeting Minutes

Where you should find votes where you authorized expenses, and stock transactions. You may also find details about withdrawal discussions

Partnership Agreement

This is where you should find your clubs Terms for Paying Withdrawals It may also show you what methods you have agreed are acceptable to allocate 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 they 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 12/31/2012  
 Brokerage statement 12/31/2012

Compare cash balance and number of shares of stock

Records Agree  
 Discrepancy Noted  
 Description \_\_\_\_\_  
 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. A larger red box is drawn around a table in the lower section, which appears to be a summary or reconciliation table with multiple columns of numerical data.

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**

This is a very important step.

Why do we do this step?

Because if the start of year numbers for cash balance or number of share are off, there is no way the 2013 numbers will be correct.

What do you do if you find a discrepancy?

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 2013 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 12/31/2013
- ➔ Brokerage statement 12/31/2013

Compare cash balance and number of shares of stock

Records Agree  
 Discrepancy Noted

Description \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
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 but you use reports dated at the end of the current tax year.



**Step 2**  
Current tax year  
balance check

- Why?
- Heads up
- Discrepancy?
- Proceed

Why do you do this step?

If numbers don't agree, 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. As I mentioned before, 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 throughout the year that your bivio records are being kept correctly. But they don't tell you everything, which is why you are going to audit the information outlined in the next steps.

**Step 3-Verify Income Received**

- bivio income statement dated 2013
- Brokerage Statement 12/31/2013
- Compare total Dividends (Qualified +MM)
- Compare Total Interest
- bivio Transaction History report dated 12/31/2013
- Brokerage dividend transaction list 1/1/2013-12/31/2013
- Compare dividend transactions: date, amount and company

Records Agree  
 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**

bivio

Income Statement

Assets

Liabilities

Net Worth

Income Statement

Dividend Income

Interest Income

Capital Gains

Other Income

Total Income

Expenses

Net Income

Summary

Category	Amount
Dividend Income	1,234.56
Interest Income	567.89
Capital Gains	345.67
Other Income	123.45
Total Income	2,271.57
Expenses	1,000.00
Net Income	1,271.57

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

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**

Dividend Transaction History

Date	Company	Amount	Qualified
12/31/2013	QUALIFIED DIVIDEND (QD)	1,234.56	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	567.89	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	345.67	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	123.45	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	1,234.56	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	567.89	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	345.67	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	123.45	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	1,234.56	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	567.89	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	345.67	Yes
12/31/2013	QUALIFIED DIVIDEND (QD)	123.45	Yes

Next you'll compare the specific entries using dividend transaction lists from

The bivio transaction history report

And a dividend transaction summary list from your broker

You'll confirm the date of receipt, amount and company who paid each dividend agree. 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*

You have to pay tax on this 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 2018  
 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 12/31/2018  
 → 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 software interface. On the left, there is a table titled "Deductible Expenses" with columns for "Date", "Comments", and "Amount". A red arrow points from the first row of this table to a "Payment Receipt" window on the right.

Date	Comments	Amount
02/01/2008	Bivio Subscription	99.00
04/15/2008	Equipment & Supplies Certified Mail for Jan Forms	5.00
		104.00

**Payment Receipt**  
Service: Accounting  
Date: 01/29/2008  
From: 02/14/2008  
Amount: 99.00  
Date: 01/29/2008  
By: Snow 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 like this 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.

## Step 4- Verify Expenses Paid

Date	Description	Dividend	Bkgs. Expense
03/15/2013	SECRET MARKET OFFERINGS	0.00	200.00
03/15/2013	SECRET MARKET OFFERINGS	0.00	
03/15/2013	SECRET MARKET OFFERINGS	0.00	
03/15/2013	SECRET MARKET OFFERINGS	0.00	
03/15/2013	SECRET MARKET OFFERINGS	0.00	
03/15/2013	SECRET MARKET OFFERINGS	0.00	
03/15/2013	SECRET MARKET OFFERINGS	0.00	
03/15/2013	SECRET MARKET OFFERINGS	0.00	
03/15/2013	SECRET MARKET OFFERINGS	0.00	

To Confirm how expenses were allocated, go to the Transaction history report.

If the note on an expense entry indicates the expense was

allocated equally, make sure that is allowed by your partnership agreement.

## Step 4 Verify Expenses

- *Why?*
- Expenses authorized and paid
- Expense allocation
- *Discrepancy?*
- Proceed
- Note corrections

*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-Verify Stock Transactions

- bivio Transaction Ledger Report dated 12/31/2013
  - Brokerage trade confirmation summary report 1/1/2013-12/31/2013  
Confirm transaction dates, security name, number of shares of stock, purchase/sale price, lot# and cost or proceeds
  - bivio Gain/Loss Report 12/31/2013
  - Brokerage Realized Gain/Loss Report 12/31/2013  
Compare Acquisition dates, sale date, sales price, cost basis and gain/loss amount
  - Note any wash sales shown on brokerage report
  - bivio Investment Transactions list for particular stock  
For any sales where specific tax lots were sold (other than FIFO) confirm that the correct lots are included in the bivio records
  - bivio transaction history report 12/31/2013
  - Brokerage statements for month reorganization occurred  
Confirm reorganizations entered and correct. (contact bivio support if necessary)
- Records Agree  
 Discrepancy Noted
- Discrepancy: \_\_\_\_\_  
\_\_\_\_\_
- Audited By: \_\_\_\_\_

Step 5 is done 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.

You'll be using a variety of reports to do this step both from bivio and from your broker including the

Bivio transaction ledger report

The bivio capital gain and loss report

Bivio investment transaction lists

And the bivio transaction history report

From your broker you'll be looking at

Brokerage trade confirmation reports,

Brokerage realized gain/loss reports and

Brokerage statements for months where reorganizations occurred.

Let's look at exactly what we'll do with all this information.



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

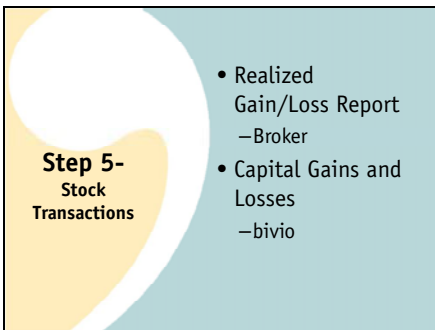
Purchase/Sale Dates at your broker

And in bivio

Total net amount at your broker

And in bivio

Total cash.



There's a new tax law in place and brokers are now required to report your cost basis and capital gains to the IRS. It is important that all the details for any stock sales you had during the year agree with your brokers information.

One way you can find out whether your bivio records will need adjustments is to compare a report all brokers will now provide you at any time during the year called a "Realized Gain/Loss Report"

With the Capital Gains and Losses Report bivio provides you

Capital Gains and Losses From 01/24/2012 to 02/01/2013

Description	Acquisition Date	Sale Date	Sales Price	Cost Basis	Gain/Loss
02 Acquired Inv (2042)	01/24/2012	02/01/2013	110.00	110.00	(0.00)
03 Acquired PMSB Inv (2043)	01/24/2012	02/01/2013	110.00	110.00	(0.00)
04 Acquired PMSB Inv (2044)	01/24/2012	02/01/2013	110.00	110.00	(0.00)
05 Acquired PMSB Inv (2045)	01/24/2012	02/01/2013	110.00	110.00	(0.00)
<b>Total</b>			<b>440.00</b>	<b>440.00</b>	<b>(0.00)</b>

Description	Acquisition Date	Sale Date	Sales Price	Cost Basis	Gain/Loss
01 Acquired Inv (2042)	01/24/2012	02/01/2013	110.00	110.00	(0.00)
02 Acquired PMSB Inv (2043)	01/24/2012	02/01/2013	110.00	110.00	(0.00)
03 Acquired PMSB Inv (2044)	01/24/2012	02/01/2013	110.00	110.00	(0.00)
04 Acquired PMSB Inv (2045)	01/24/2012	02/01/2013	110.00	110.00	(0.00)
<b>Total</b>			<b>440.00</b>	<b>440.00</b>	<b>(0.00)</b>

Here is an example of the bivio Capital gains and losses report

And the Realized Gain/Loss report from the Broker.

You need to compare each sale shown on the bivio report

With the same sale shown on the brokerage report.

You should make sure Acquisition date

Sale Date

Sales Price

Cost basis

And Gain/Loss

Agree between the two reports. If they do not, or if you see a wash sale noted, make a note to discuss with your treasurer. He may need to work with us to determine the reasons for any differences.

### Reorganizations

How will you know?

Date	Description	New Shares
12/18/2009	SPK: Meggen Corp (MEGQ) Spinoff SPUR*	50.000000

Date	Time	Event	Description	Quantity	Price	Amount	Balance
12/18/2009	10:00:00	SPINOFF	SPK: Meggen Corp (MEGQ) Spinoff SPUR*	50	1.00	50.00	50.00

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 a 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 This is a very important step.

What do you do if there is a discrepancy?

Proceed with Audit.

Note entries where corrections are needed. Do not try and correct them yourselves, but make sure your treasurer works out your issues before you file any taxes.

**Step 6-Verify Member Contributions**

- Bivio Member Contributions and Withdrawals report dated 2013
- Club partnership agreement
- Brokerage Deposit Transactions summary list 1/1/2013-12/31/2013 or monthly statements.
  - Verify Club members have confirmed amounts contributed-
  - Have members sign off on report
  - Verify Payments entered using correct Valuation Date
  - Verify Deposits made in brokerage account
- Bivio Transactions History report dated 12/31/2013
  - Verify entries have been recorded as payments, not fees or miscellaneous income.

Records Agree  
 Discrepancy Noted  
 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 from 01/01/2013 to 12/31/2013  
 Member property: bivio@bivio.com, last updated date: 06/24/2014

Member	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Member 1	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	1,200.00
Member 2	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	2,400.00
Member 3	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	300.00	3,600.00
Member 4	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	400.00	4,800.00
Member 5	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	500.00	6,000.00
Member 6	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	600.00	7,200.00
Member 7	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	700.00	8,400.00
Member 8	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	800.00	9,600.00
Member 9	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	900.00	10,800.00
Member 10	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	12,000.00

Member 10: 01/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 02/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 03/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 04/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 05/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 06/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 07/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 08/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 09/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 10/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 11/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00  
 12/01/2013 10:00:00 PERSONAL CHECK RECEIPT 1000.00

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.

(6 clicks)

**Step 6**  
Verify Member Payments

- Valuation Dates
  - What Date?
    - 1/Month
    - = Deposit Date
  - 1/Month
    - Same Date within a month
    - Different from month to month
  - =Deposit Date
    - Different Dates for each entry
    - Dates =Payment deposit dates

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 a member contributions and withdrawals 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 is chosen to be equal to the deposit date.

You might see different valuation dates for each entry

But, the dates you see should agree with the payment deposit dates on your brokerage list.

**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 (cccc-yyyy)

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
White Snow	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Doc	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Chipsy	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00
Charmy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Mopsy	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00
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
Snowy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<b>Total</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>	<b>400.00</b>

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. If the club only has one valuation date a month, they should be the same. 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?

It might be if the total for the year for each member is OK. That is why you have each member confirm their totals also.

**Step 6**  
Verify Member Payments

Member Contributions and Withdrawals

Date	Description	Cash	Units
01/01/08	Member payments	400.00	0.00
02/01/08	Member payments	400.00	0.00
03/01/08	Member payments	400.00	0.00
04/01/08	Member payments	400.00	0.00
05/01/08	Member payments	400.00	0.00
06/01/08	Member payments	400.00	0.00
07/01/08	Member payments	400.00	0.00
08/01/08	Member payments	400.00	0.00
09/01/08	Member payments	400.00	0.00
10/01/08	Member payments	400.00	0.00
11/01/08	Member payments	400.00	0.00
12/01/08	Member payments	400.00	0.00
<b>Total</b>	<b>Member payments</b>	<b>4,800.00</b>	<b>0.00</b>

The final thing you want to do is 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 is date check was given to withdrawing partner  
Verify records properly reconciled before processing withdrawal report (no post withdrawal adjustments)

Records Agree  
 Discrepancy Noted\*  
Description: \_\_\_\_\_  
\_\_\_\_\_

Audited By \_\_\_\_\_

\*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.

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.

You'll be looking at withdrawal reports that were generated in bivio when the withdrawal was entered.

You may also need to refer to your club partnership agreement

**Step 7**  
Verify Withdrawals Entered Correctly

**bivio**

**Withdrawal** - All Withdrawals in Cash

Member Valuation Date: 12/31/2024  
Withdrawal Date: 12/31/24

Club Valuation	10,744.04	Cash	4,807.03
Club Withdrawal	864,778.00	Withdrawal Paid	4,807.03
Withdrawal Total	8,927.14	Withdrawal Total	9,397.14

Member's Cash Balance Before Withdrawal: 6,000.00  
Current Account Balance: 1,000.00  
Withdrawal Request: 6,000.00

Withdrawal Total: 6,007.03  
Cash: 4,807.03  
Total: 4,807.03

Member's Cash After Withdrawal: 0  
Check Date: 12/31/2024 (1,762.00)

Note: An amount listed as 0.00 may be due to the system's rounding. The amount shown is the total amount to be reconciled in your club's records.

**Reconciliation** | **Reconciling** | **Discrepancy** | **Member's Cash** | **Partner's Cash** | **Partner's Equity** | **Member's Equity** | **Member's Expense** | **Member's Income**

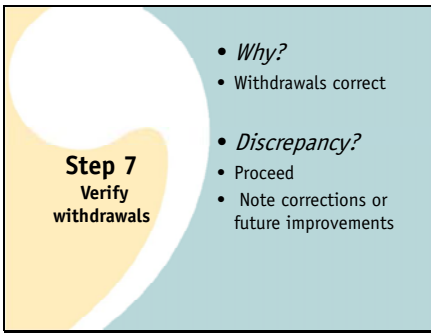
To determine whether a withdrawal was paid according to the club partnership agreement, you will have to find the section describing the requirements and then review the withdrawal reports to make sure the entries had

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"



**Step 7**  
Verify  
withdrawals

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

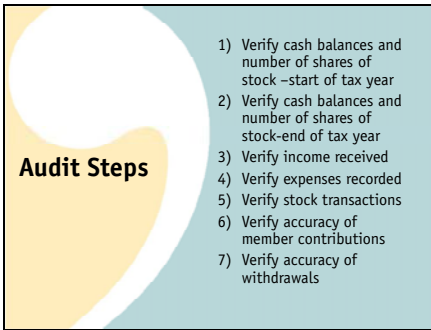
*So why are you doing this step*

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. 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)

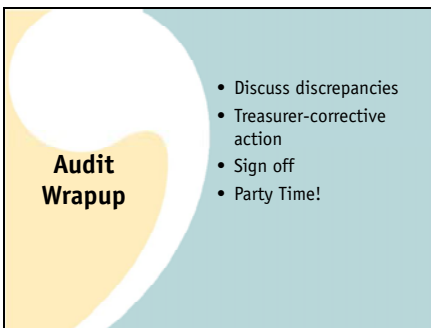


**Audit Steps**

- 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



**Audit  
Wrapup**

- Discuss discrepancies
- Treasurer-corrective action
- Sign off
- Party Time!

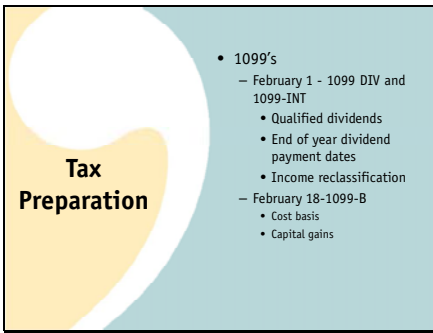
Once the auditors have gone through the steps here's what should happen

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.

There are several types of 1099's. Forms 1099 DIV and 1099 INT reporting dividends and interest are supposed to be sent to you by February 1 this year. 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

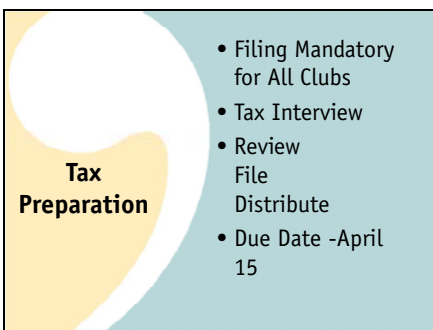
Dates on end of year dividend payments

Possible reclassification of dividend income

Brokers have until February 18 this year to get you 1099 B. 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. The work you did on step 5 of the audit should have found any issues you needed to address so your treasurer won't have to take time to address them when the tax forms are ready.

In practice, all of these types of 1099's will probably come to you on a "Consolidated" form. So you probably won't get any of them until February 18.



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 15

**Questions?**

[support@bivio.com](mailto: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](mailto: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 9, 2014

[www.bivio.com/club\\_cafe](http://www.bivio.com/club_cafe)

The bivio tax program will be available in mid to late February. We'll also be doing a webinar about how to prepare your club taxes on February 9. Watch for bulletins announcing their dates.

You'll be able to register for them at [www.bivio.com/club\\_cafe](http://www.bivio.com/club_cafe)

**Poll**

**Who's Having a Party?**

**Audit Party!**



**bivio**