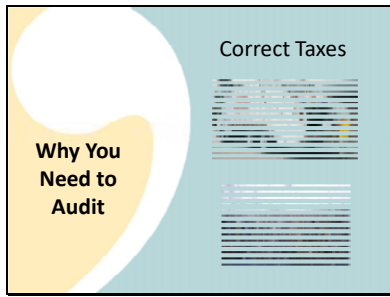


You do an audit for a variety of reasons.

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.



You want to make sure your taxes are prepared accurately. Since they are prepared from the data in bivio, you need to know that is right. 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

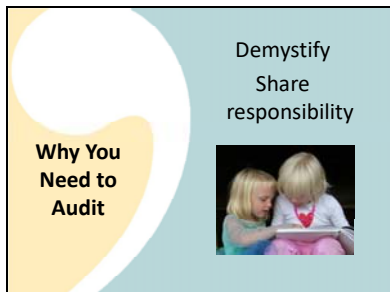
garbage in

garbage out

And, just a reminder that all your club members will be held responsible if you don't file correct taxes.



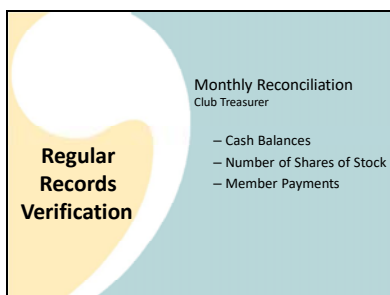
You want to make sure each members' ownership is being tracked accurately so that income and expenses are divided up correctly and the tax status of your account is being tracked correctly.



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.



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

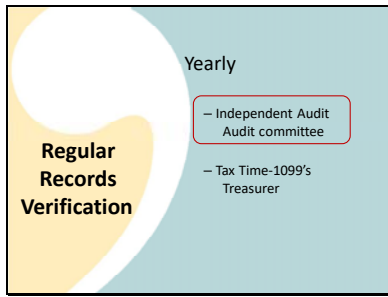
Confirm Cash Balances and

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.

These two quick checks won't find all the issues that might be wrong in your accounting, but they will highlight most of the most common ones and allow you to address them in a timely manner.



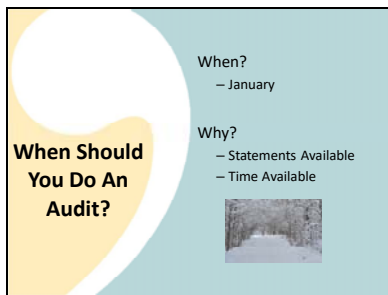
Yearly, we recommend

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. These checks may sound 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?

We recommend that you do it in January.

Why is that?

First, your regular December, end of year brokerage statements are ready so you'll have information for the full year to compare to your bivio entries.

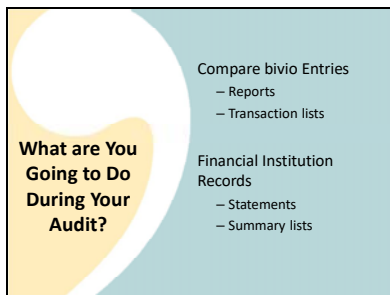
The biggest step in doing your club taxes is getting your records in shape. If your records are verified in January, doing taxes in February when 1099's arrive will be a very quick process.

Besides, 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!



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 your bank (if you have a separate bank account)



How do you do an audit?

First, you'll pick a date. It will probably take you around 2 to 3 hours

Pick 2-4 people other than the club treasurer to conduct the audit

Prior to the audit day, the treasurer should gather records that will be needed for comparison from your financial institutions and from bivio.

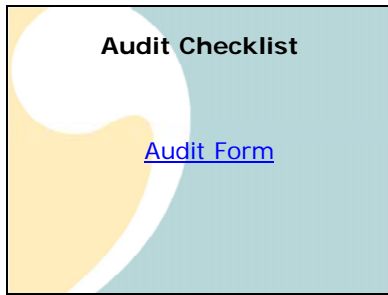
On the audit day the auditors will work through the audit steps, making the records comparisons.

If they find any discrepancies, they will note them on the audit checklist. Auditors do not make corrections themselves.

When all the steps are completed, the Auditors and the treasurer will meet to discuss anything that was found

The treasurer will determine what action is needed, make corrections, and record the action taken

Then the treasurer and the auditors will give the final report to club. It all goes quickly. Once you get done, you'll have done most of the work needed to get your records ready to prepare your club taxes quickly. All you'll need to do is wait for your 1099's to arrive so your treasurer can do a final quick records check.



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.

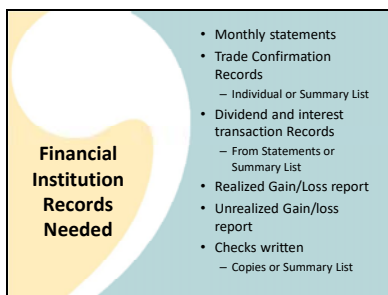
It looks like this.

It contains instructions,

A list of the records you'll need to make your audit checks and

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.



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

The first part of doing your audit is gathering the information you'll be comparing. As I just showed you, 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 by lot sold that your broker will be reporting to the IRS. It may have a slightly different name at some brokers such as a "Closed tax lot" report.

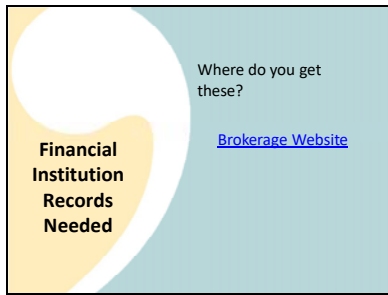
Unrealized gain/loss report – If any of your stocks went through a reorganization such as a split, spinoff, merger, re-domicile etc. Again this one may have a slightly different name at your broker such as an "Open tax lot" report.

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.



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.

(Freeze screen before accessing account)

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

You're going to need your monthly statements. (demo how to get to them from Folio Filing cabinet by selecting statements and tax records link at top of page)

For folio, this is how you get to their "Realized gain/loss report" or, as they call 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). It's very important that you know how to find this.

If you had any reorganizations you'll also need an "Unrealized gain/loss" report or as Folio calls it an "Open tax lot" report.

During your audit you'll 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 on accounts page)

It's important that you become familiar with finding this material on your brokers website. Contact your broker if you can't find any of the information listed in the audit form that you'll need.



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

bivio.

(Use demo club to demo this. Make sure to enter a 2020 date each time) 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

The Investment lot cost basis report will show you the cost basis details for each lot of each stock that you still own.

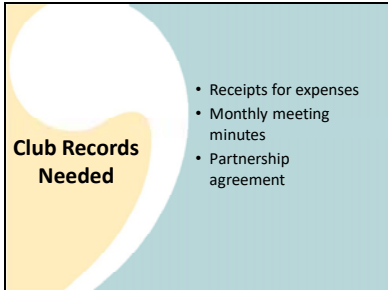
If you've had any withdrawals, you can find reports showing the parameters you used to enter them at this link.

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.



For example,

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

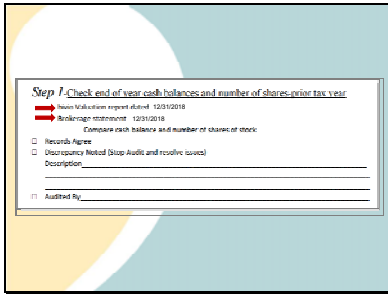
It may also show you what methods you have agreed are acceptable to allocate expenses



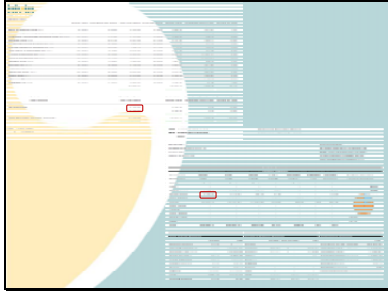
Once all your records are gathered, the information is given to the auditors. The audit guide includes 7 steps we recommend they do to verify your club records. They are:

- 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 is all recorded correctly
- Verify any expenses you had were recorded correctly
- Verify all your stock transactions were entered correctly and that capital gains and losses are being calculated correctly
- Verify member payments were entered correctly so your member accounts are being tracked correctly
- Verify that any withdrawals were paid according to your club agreements and that they were recorded correctly in your records.

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.



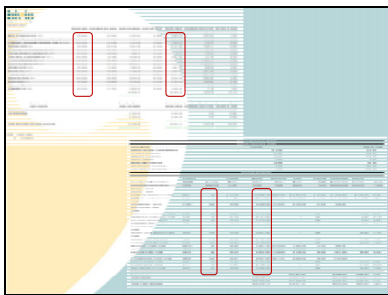
Your first step is to confirm that you started out the tax year with correct records. To do this you'll be comparing the brokerage statement from the end of the prior tax year to a bivio valuation report with the same date.



Here is an example of doing this comparison.

First, you'll compare the cash balances shown in bivio

To what is shown on the brokers report. They should be equal or you should have a reason such as an outstanding check to validly explain any differences. If you see cash balances listed for accounts in bivio that you don't actually have, you have issues you need to correct.

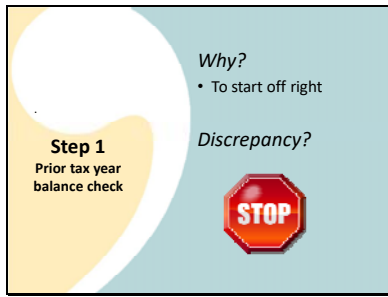


Then you'll compare the number of shares of each stock between

Bivio

And your broker. 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. Your club accounting is based on accurate valuations. If there is a stock price that is not being updated regularly, your records and taxes will not be correct.



This is a very important step.

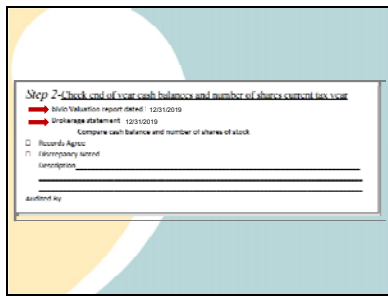
Why do we do this step?

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

What do you do if you find a discrepancy?

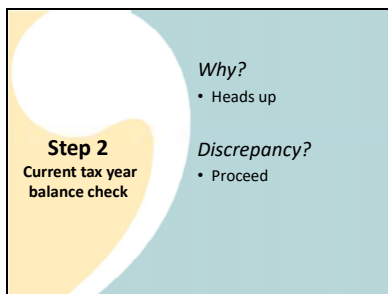
You need to stop the audit at that point and assess the situation. There are many things in your clubs historical transactions that are still affecting your current record keeping.

It 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.



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 tax year you are auditing. The same issue about valid differences and extra accounts applies to this check as did to the first one.



Why do you do this step?

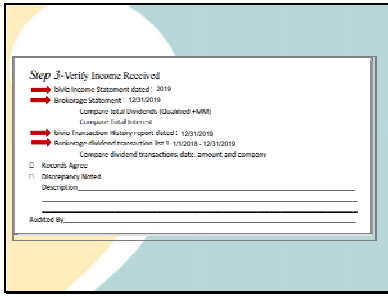
If numbers don't agree, it will give you an indication that there are items you need to find. Going through the steps of the audit will bring out where they are and what they are.

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 is where you verify the entries for any income you have received. This will be dividends and interest.

You'll be using a bivo income and transaction history report.

From your broker you'll use your brokerage statement and a dividend transaction list.

Step 3-Part 1

Dea Demo Club
Income Statement

Income	
Qualified Dividend	
All Linn Co (ALL)	12.00
Agave SA (AMA)	36.54
Canaan Prime (CPM)	46.40
Fountain Co (FACS)	12.04
Great Income (GAI)	9.46
Hudson Resources Inc (HRS)	19.40
Minnick Corp (MCP)	55.71
S&P 500 Index Fund (SPY)	143.89
Total Qualified Dividend	489.33
SPY Div Capital Gain	1782.897
Long Term Capital Gain	465.97
Total Income	2738.09
Expenses	
Nonqualified Expense	25.61
Total Expenses	25.61

Balance and Dividend Summary

Account	Balance	Dividend
123456789	1000.00	1000.00
987654321	2000.00	2000.00
111111111	3000.00	3000.00

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 bivo records

Step 3-Part 2

Date	Description	Amount	Company
12/31/2019	Dividend	12.00	All Linn Co (ALL)
12/31/2019	Dividend	36.54	Agave SA (AMA)
12/31/2019	Dividend	46.40	Canaan Prime (CPM)
12/31/2019	Dividend	12.04	Fountain Co (FACS)
12/31/2019	Dividend	9.46	Great Income (GAI)
12/31/2019	Dividend	19.40	Hudson Resources Inc (HRS)
12/31/2019	Dividend	55.71	Minnick Corp (MCP)
12/31/2019	Dividend	143.89	S&P 500 Index Fund (SPY)
12/31/2019	Dividend	1782.897	SPY Div Capital Gain
12/31/2019	Dividend	465.97	Long Term Capital Gain

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

The bivo transaction history report

And a dividend transaction summary list from your broker

You'll confirm that the date of receipt,

amount and

company who paid each dividend agree.

Step 3
Verify income received

Why?

- Correct amount and classification

Discrepancy?

- Proceed
- Note corrections

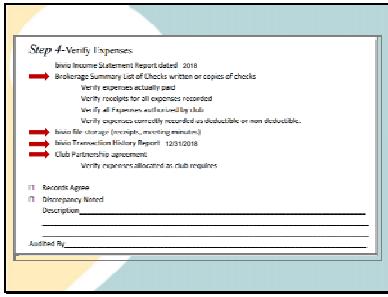
Why do you do this step

You have to pay tax on this income. The amount and dates need to be recorded correctly so the tax program will be able to classify and report it correctly as qualified or non-qualified on your taxes.

What do you do if there is a discrepancy?

Proceed with Audit.

Note entries where corrections are needed.



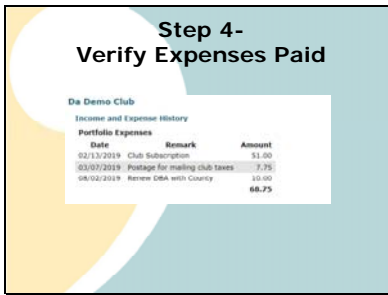
A club usually has very few expenses but expense entries are a place where fraud can occur. In this step you will make sure they were both authorized and actually paid and that they were recorded correctly.

To do this, you will need meeting minutes to show expenses were authorized and receipts that you have stored in your file storage area

Cancelled checks or a summary list of checks paid from your brokerage will show whether expenses were actually paid.

These will be compared against a transaction history report from bivio.

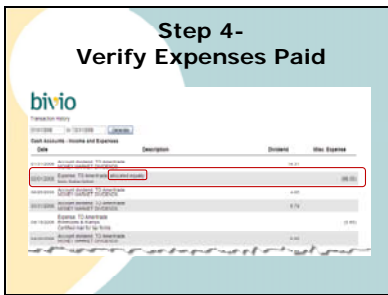
You'll also need to know how your club has agreed to allocate expenses. Be default and per IRS regulations, expenses are allocated in proportion to ownership share. If you want to allocate them equally to each member, you need to make sure this method is specifically called out in your partnership agreement.



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. Just because expense entries were recorded in bivio doesn't mean they were actually paid to the proper recipient.



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 and that is what was agreed to for the expense recorded.

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. That will ensure their member accounts in bivio will be updated correctly.

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 12/31/2019
- Brokerage trade confirmation summary report 1/1/2019 - 12/31/2019
Confirm transaction dates, security name, number of shares of stock, purchase/sale price, total cost or proceeds
- Bivio Capital Gains/Loss Report 12/31/2019
Compare Acquisition dates, sale date, sales price, cost basis and gain/loss amount. Note any wash sales shown on brokerage report.
- Brokerage Realized Gain/Loss Report 12/31/2019
- 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 base records.
- Bivio Transaction History report 12/31/2019
- Brokerage Statements for months reorganization occurred
- Brokerage Unrealized Gain/Loss report
- Bivio Investment lot cost basis report - sorted right after date of reorganization
Confirm reorganizations entered correctly. Contact Davis support if necessary. Confirm cost basis of all shares involved agrees with what broker shows after reorganization on Unrealized gain/loss report.

Records Agree

Discrepancy Noted

Description _____

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

A bivio transaction history report

And a bivio Investment lot cost basis report (if you had any reorganizations during the year)

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.

And an Unrealized gain/loss report (if you had any reorganizations during the year.

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

**Step 5-
Stock Transactions**

Date	Transaction	Activity	Symbol	Qty	Price	Principal	Commission	Net amount
12/15/2018	BUY	BUY	GOOGL	100	1,200.00	120,000.00	0.00	120,000.00
12/15/2018	BUY	BUY	MSFT	50	240.00	12,000.00	0.00	12,000.00
12/15/2018	BUY	BUY	AMZN	20	180.00	3,600.00	0.00	3,600.00
12/15/2018	BUY	BUY	FB	10	180.00	1,800.00	0.00	1,800.00
12/15/2018	BUY	BUY	APPL	10	180.00	1,800.00	0.00	1,800.00
12/15/2018	BUY	BUY	GOOGL	100	1,200.00	120,000.00	0.00	120,000.00
12/15/2018	BUY	BUY	MSFT	50	240.00	12,000.00	0.00	12,000.00
12/15/2018	BUY	BUY	AMZN	20	180.00	3,600.00	0.00	3,600.00
12/15/2018	BUY	BUY	FB	10	180.00	1,800.00	0.00	1,800.00
12/15/2018	BUY	BUY	APPL	10	180.00	1,800.00	0.00	1,800.00
12/15/2018	BUY	BUY	GOOGL	100	1,200.00	120,000.00	0.00	120,000.00
12/15/2018	BUY	BUY	MSFT	50	240.00	12,000.00	0.00	12,000.00
12/15/2018	BUY	BUY	AMZN	20	180.00	3,600.00	0.00	3,600.00
12/15/2018	BUY	BUY	FB	10	180.00	1,800.00	0.00	1,800.00
12/15/2018	BUY	BUY	APPL	10	180.00	1,800.00	0.00	1,800.00

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.

- Step 5-
Stock Transactions**
- Realized Gain/Loss Report –Broker
 - Capital Gains and Losses –bivio

Next you will confirm that your capital gain/loss information in bivio agrees with your broker. Brokers will be reporting 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 what they show.

To do this you 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

Description	Acquisition Date	Sale Date	Sale Price	Cost Basis	Gain/Loss
01/15/2012	01/15/2012	01/15/2012	113.38	114.38	(1.00)
01/15/2012	01/15/2012	01/15/2012	108.62	108.07	0.55
01/15/2012	01/15/2012	01/15/2012	668.00	663.17	4.83

Description	Acquisition Date	Sale Date	Sale Price	Cost Basis	Gain/Loss
01/15/2012	01/15/2012	01/15/2012	1,001.04	501.00	500.04
01/15/2012	01/15/2012	01/15/2012	601.00	141.00	460.00
			3,039.91	2,292.47	747.44

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 will need to determine the reasons for any differences and make any corrections needed.

Date	Description	New Shares
12/19/2008	Bank Merger (Folio-081014)	75,000,000
07/02/2017		

Date	Description	New Shares

Next you need to confirm your records were correctly updated if any of your stocks went through a reorganization such as a stock split, spinoff or merger. These can get complicated and it is important they be entered correctly in your records.

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 a reorganization.

If you don't see anything there, you may have found that the number of shares of stock did not agree with the brokerage statement when you did step 2. This could happen if your treasurer hadn't recorded a reorganization.

Finally, whomever 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 the 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.

Reorganizations
Cost Basis

Brokers Unrealized Gain/Loss Report

Security	Qty	Open Date	Adj Cost	Adj Cost	Market Value	Unrealized Gain/Loss	Unrealized Gain/Loss %	Unrealized Gain/Loss	Unrealized Gain/Loss %	Unrealized Gain/Loss	Unrealized Gain/Loss %
AMGEN INC (NYSE)	1	1/1/2010	100.00	100.00	100.00	0.00	0.00%	0.00	0.00%	0.00	0.00%
AMGEN INC (NYSE)	1	1/1/2010	100.00	100.00	100.00	0.00	0.00%	0.00	0.00%	0.00	0.00%
AMGEN INC (NYSE)	1	1/1/2010	100.00	100.00	100.00	0.00	0.00%	0.00	0.00%	0.00	0.00%

bivio Investment Lot Cost Basis Report

Security	Lot	Open Date	Qty	Adj Cost	Market Value	Unrealized Gain/Loss	Unrealized Gain/Loss %
AMGEN INC (NYSE)	1	1/1/2010	1	100.00	100.00	0.00	0.00%
AMGEN INC (NYSE)	2	1/1/2010	1	100.00	100.00	0.00	0.00%
AMGEN INC (NYSE)	3	1/1/2010	1	100.00	100.00	0.00	0.00%

When a reorganization occurs, the cost basis of the shares of stock involved in the reorganization will change. If the reorganization has been entered correctly, the cost basis of all shares after the reorganization will agree between bivio and your broker. If it doesn't there are issues in your bivio accounting that need to be investigated and addressed. If you've found that 1 or more of your club stocks went through reorganizations during the year being audited, there are a few extra checks that you need to make.

You'll need to compare information on a Brokers Unrealized gain/loss report

To information on the bivio Investment Lot Cost basis report. You'll want to run this report on a date right after the reorganization happened.

For example, earlier this year, Dow chemical went through a series of three reorganizations this year and clubs that owned those shares ended up with three different companies, DOW, DD and CTVA. They would compare the following things between the two reports:

1. The number of shares of each of the stocks in each lot
2. The Open date for each of the lots
3. The total cost basis for each of the lots

All these details should agree. If you're doing automatic dividend reinvesting or have bought a stock on many different occasions, you need to make these comparisons for each lot of each stock. 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. It is very important to make sure they have been updated in your records in a timely manner. Your treasurer should really do these checks right after any reorganization is entered in your accounting. If issues are not addressed in a timely manner, it can become extremely complicated, time consuming and possibly expensive to straighten them out after they have affected subsequent transactions.

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. As I mentioned earlier, your entire accounting and tax reporting is dependent on accurate club valuations.

Second, it verifies that basis is being tracked correctly so that correct capital gains and losses will be reported on your Income both for the current year and for future years. This is a very important step. Capital gains and losses will be reported on your 1099 form to the IRS. Your club information needs to agree with what your broker shows on them and your club records need to be updated in a timely manner when cost basis changes occur.

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

- Verify Member Contributions and Withdrawals report dated 2018
- Club partnership agreement
- Verify: Report transactions covering 1/1/2018 - 12/31/2018 - see monthly statements
- Verify: Club members have confirmed accurate contributions
- New members sign off on report
- Verify Payments entered using correct Valuation Date
- Verify Deposits made in brokerage account
- Verify Transactions History report dated 12/31/2018
- Verify entries have been recorded as payments, not fees or miscellaneous income

Accounts Name

Discrepancy Noted

Description

Audited by:

Step 6 confirms that your members contributions to the club have been recorded accurately. This is very important because these records affect member ownership, both the percentage of the club each person owns and the gains or losses he/she has had from their investment in the club. They also will affect whether the correct amount of taxable income will be shown on each members K-1 form.

To perform the check, 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 transaction summary list or monthly statements from your broker.

First of all, your treasurer should require that all members review the annual member contributions and withdrawals report prior to the audit and confirm that what is shown as their contributions is correct. Keep a paper or digital record with your audit report to verify they have done that.

Step 6
Verify Member Payments

bivio

Members grouped by transaction date: 01/01/2018 to 12/31/2018

MEMBER	DATE	TYPE	AMOUNT	DESCRIPTION
MEMBER	01/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	02/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	03/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	04/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	05/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	06/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	07/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	08/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	09/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	10/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	11/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION
MEMBER	12/01/2018	CONTRIBUTION	100.00	MEMBER CONTRIBUTION

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

Step 6
Verify Member Payments

Valuation Dates

- What Date?
- 1/Month
- = Deposit Date

1/Month

- Same date for all entries
- 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

bivio

Member Contributions and Withdrawals from 6/1/2020 to 5/31/2021
Payments grouped by member last month with valuation date: 5/31/2021

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
White Snow	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	180.00
Sue	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	120.00
John	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	60.00
Snow White	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	180.00
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	120.00
Sue	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	60.00
SNOW	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	15.00	180.00
TOTAL	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00

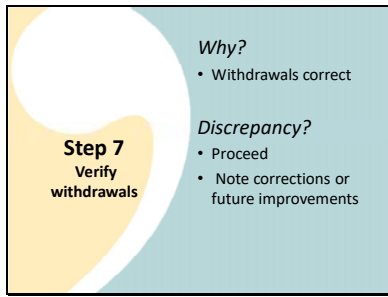
This club uses a single valuation date per month.

In March we see that the valuation dates entered for Snow White and Sneezzy 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.



So why are you doing this step

It 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 their check. It is also almost impossible to make withdrawal corrections in another tax year without creating other big issues for your club. It will be up to your club to determine whether to pursue making corrections but do not do so until you make sure you understand all the issues this might create.. You will probably not be able to fix past incorrect withdrawals, but, at a minimum, you will want to note discrepancies as recommendations for future improvement.



That is the last step. 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 is all recorded correctly
- Verify any expenses you had were recorded correctly
- Verify all your stock transactions were entered correctly and that capital gains and losses are being calculated correctly
- Verify member payments were entered correctly so your member accounts are being tracked correctly
- Verify that any withdrawals were paid according to your club agreements and that they were recorded correctly in your records.



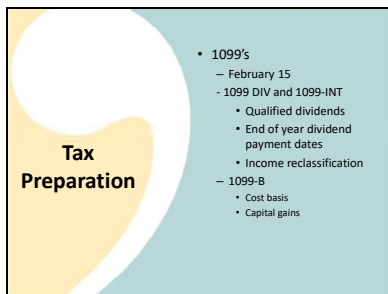
Once the auditors have gone through the steps here's what should happen

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! Congratulations on making sure your club records are in good shape!



Just a brief not about club taxes. Doing an audit actually covers most of the work which needs to be done to get your taxes 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 do a final check 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 webinar but just to give you an idea.

There are several types of 1099's. Your club should receive them by February 15 but check your brokers website for their latest information on when to expect them.

Forms 1099 DIV and 1099 INT report the amount of dividends and interest you've received. Sometimes there is information on them that will mean last minute adjustments are needed 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

If you have sold any stocks during the year, you will also receive a 1099 B. This is where your

cost basis and

capital gains are 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. It can be complex and take a long time to fix problems with cost basis. The sooner you find out about them, the more time you have available to get any help you need.



Tax Preparation

- Filing Mandatory for All Clubs
- Tax Interview
- Review File Distribute
- Due Date –March 16, 2020

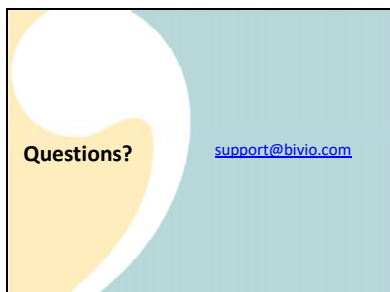
Filing taxes is mandatory for all clubs. It does not matter how much income you've made or how long you've been in existence.

The good news is that once your records are all correct, 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 March 16, 2020.

All the more reason to get in the habit of spending time in January getting your records corrected so you can prepare the forms quickly when you have your 1099's and the bivio tax program becomes available in February.



Questions? support@bivio.com

So that's how to do an audit.

If you've followed our recommendations for keeping your club record keeping as simple as possible, you'll be able to complete your checks very quickly. If you have any questions as you're going through yours, the quickest way to get an answer is to email us with details at support@bivio.com. Please send actual copies of any brokers reports you are comparing to and make sure to identify the specific issues you have questions about.



Tax Preparation Webinar

Early to Mid February Tax Program

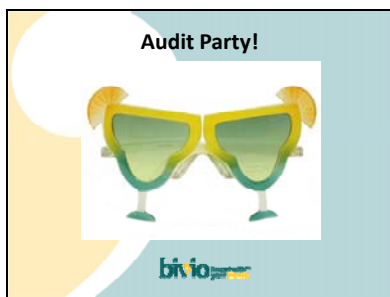
February 11, 2020 Webinar

www.bivio.com/club_cafe


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

We'll also be doing a webinar about how to prepare your club taxes on February 11.

You can sign up now for it at www.bivio.com/club_cafe



Audit Party!



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