

Slide 1



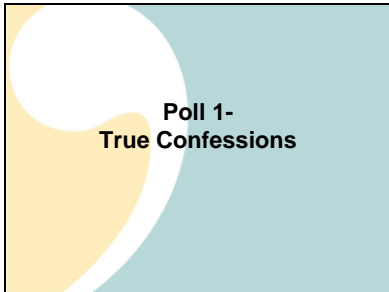
Welcome everyone.

Today we are going to talk about Auditing your Club Records.

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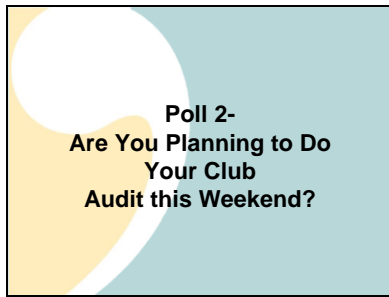


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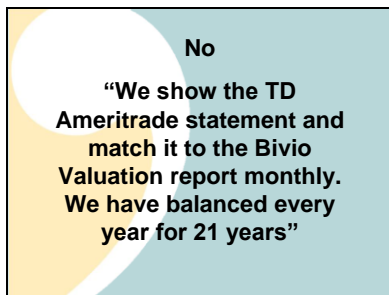


Does your club reconcile your bivio records every month?

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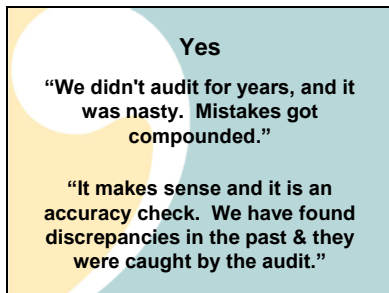


When you registered, we asked you whether you planned to do a club audit and why. I wanted to share two responses anonymously from the comments.

This club answered "No"

This was their reasoning. It looks pretty good.

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Here are 2 clubs that answered Yes:

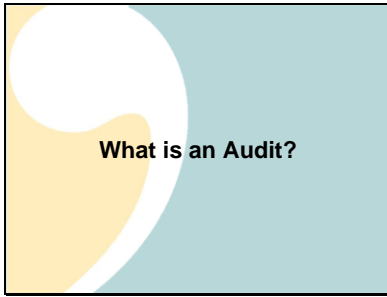
This was their reasoning.

I hope, once you've seen this webinar, that you will all see why the first club's reasoning for not doing an audit was faulty. It was because their checks would not have verified all the different aspects of their accounting. Our goal in giving you a way to do a comprehensive club audit is so you can avoid the mistakes the second club had to learn the hard way.

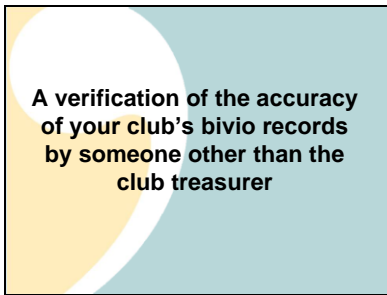
And, you know what?

People who are members of investment clubs often are people who like to learn new things. In my experience, members have enjoyed participating in the audit process because they learn new things about their investment club accounting.

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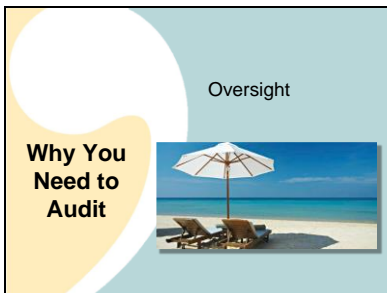


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A verification of the accuracy of your club's bivio records by someone other than the club treasurer.

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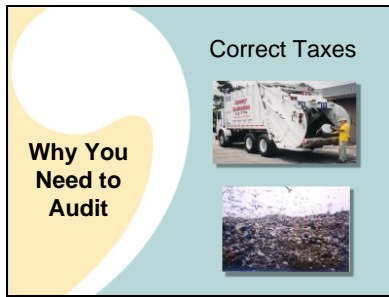


You do an audit for a variety of reasons.

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.

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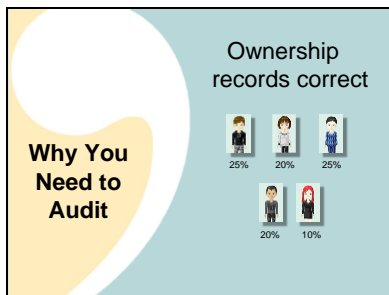
You want to make sure your taxes are prepared accurately. Since they are prepared from the data in bivio, you need to know that the data is right. Just because your bivio site shows a lot of numbers doesn't mean they're useful for anything. Without verification your taxes may just be

garbage in

garbage out

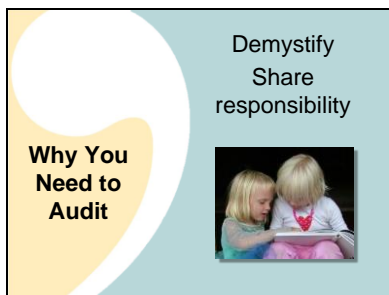
And, just a reminder that all of your club members will be held responsible if you don't file correct taxes.

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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.

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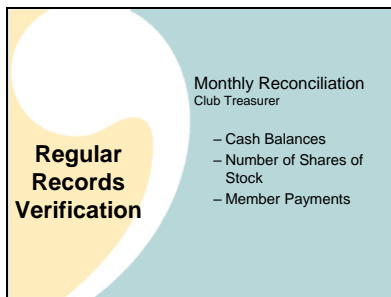


And finally, it's important to demystify your club's finances

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.

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

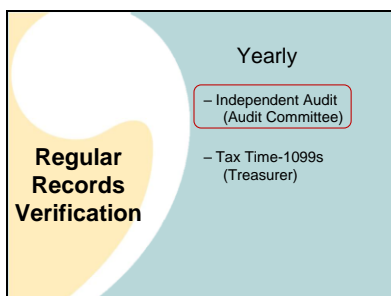
Each month, your club treasurer should do a monthly reconciliation. This should go very quickly. They just need to

Confirm the 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 treasurer's 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 many of the most common ones and allow you to address them in a timely manner.

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Yearly, we recommend

First, that your club do an Independent Audit
This should be done by an audit committee which does not include your club treasurer.

At tax time, your treasurer will do a final check to verify that your 1099s 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, then 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 1099s.

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When Should You Do An Audit?

When?
– January

Why?
– Statements Available
– Time Available



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 1099s 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 until 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!

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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

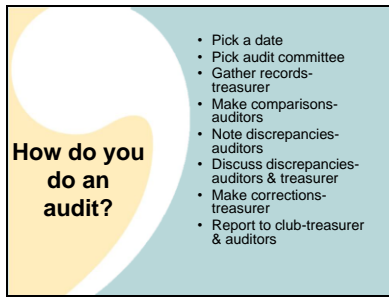
You do this using reports

And transaction lists from bivio and

Statements and

Summary lists from your brokerage and your bank (if you have a separate bank account)

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How do you do an audit?

First, you'll pick a date. It will probably take you about 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.

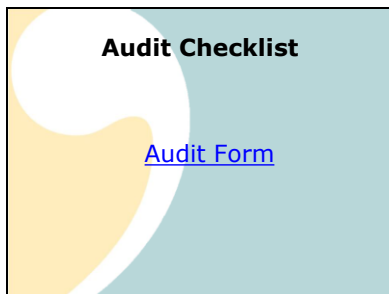
If they find any discrepancies, they will note them on the audit checklist. Auditors do not make corrections themselves.

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. All you'll need to do is wait for your 1099s to arrive so your treasurer can do a final quick records check.

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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.

You can see the cover,

It contains instructions,

It has a full list of the different records you'll need to collect to do the audit and

There are 7 steps - for each step it gives you a detailed description of what you need to be comparing. We'll be going through all these steps in detail so you can see what needs to be done.

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

Monthly Statements

Trade Confirmation records

You might have individual confirmations 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 – You'll need this if any of your stocks went through a reorganization such as a split, spinoff, merger, re-domicile etc. or if you paid out any withdrawals with stock. You might also need this report if your broker sold a different lot of stock than bivio used. Again, this one may have a slightly different name at your broker such as an “Open tax lot” report. It will show the cost basis details for each lot of each stock that you still own

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.

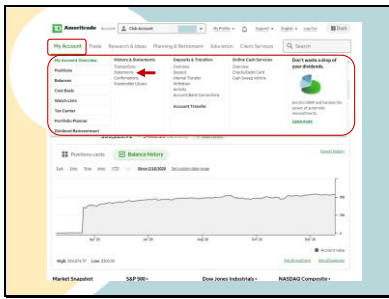
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Financial Institution Records Needed

Where do you get these?

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 some examples of some things you'll find there.

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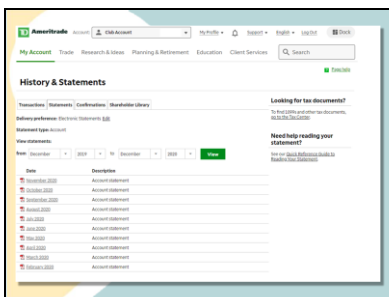
You're going to need your monthly statements. On the TD Ameritrade site you'd get them by clicking on this

“My Account” link

To open this drop-down

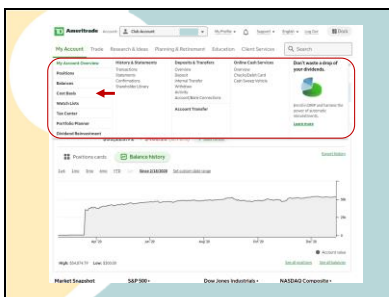
From it, you'd select the “Statements” link. (Note that if your club uses a different broker than TD Ameritrade, obviously you won't see the same screen layout when you go to your broker's website. But you will be able to find all the information we're discussing on their site.)

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Which will take you to this page where you can download all of your monthly statements.

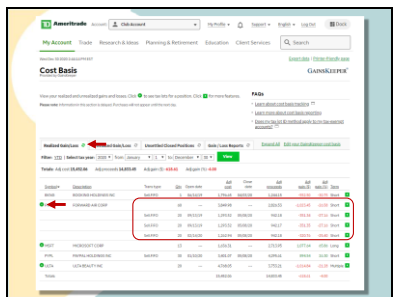
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For TD Ameritrade, if you go back to the “My Accounts” menu, you will see a link called

“Cost basis”

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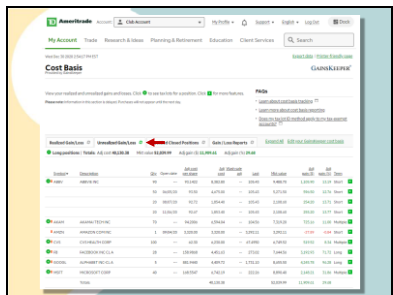
this is how you get to a page where you can get to “Realized and Unrealized Gain/Loss reports”. You can see different tabs here:

The information showing on the “Realized Gain/Loss” tab is your cost basis and capital gains for stocks you have sold. 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 on your taxes the same way your broker is reporting them. It’s very important that you know how to find this.

If you see little green dots next to any of the tickers, it means you sold more than one lot of the stock.

You can click on the dot to open a detailed list showing cost basis and capital gains for each lot sold separately.

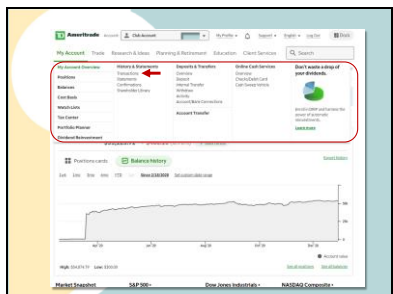
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If any of your stocks went through any reorganizations during the year such as splits, spinoffs, mergers or reclassified distributions or if you transferred any stock to pay a withdrawal, you’ll also need an “Unrealized Gain/Loss” report because those actions will probably have affected the cost basis of your stock.

In TD Ameritrade, you get it by going to this tab. You’ll get this page where you can see the cost basis details for each lot of each stock that was affected by the reorganization. You’ll be comparing this to an “Investment Lot Cost Basis” report in bivio to see if you’ve recorded it as your broker has.

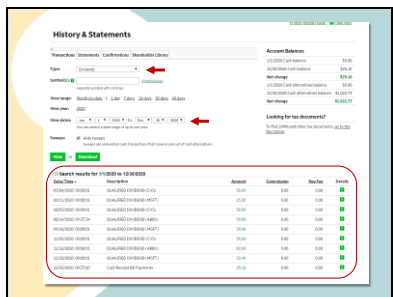
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During your audit you’ll be looking at specific types of transactions in bivio such as dividend payments. What’s nice is that you can get lists of just specific types of transactions at your brokerage website.

In this case, you’d find those by selecting this “Transactions” link from the “My Account” menu.

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This opens a page where you can select to see lists of certain types of transactions.

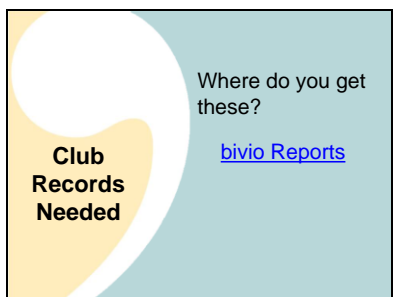
In this case, we want a list of the dividends we've received

During the year.

We'll be able to easily compare this list to some of the bivio reports as we do the audit.

It's important that you become familiar with finding all this material on your brokers website. Finding it will be a little different for each broker, but it will be there somewhere. Contact your broker if you need help finding something that you'll need to do your audit.

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

bivio.

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.

First, 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. This report is nice as it is organized into categories.

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 in bivio 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.

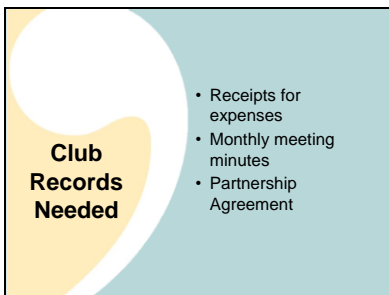
You will also find Transaction Lists, which give you the chronological list of transactions and a running balance. We use them all the time as they are very useful. You don't get to these from the Reports page, you get to them from your accounting pages. For example, if you go to Accounting>Accounts 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.

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You also might need to refer to files you have stored in your files area which you find here under communications.

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For example, good things to store there are:

Receipts for expenses

Monthly meeting minutes

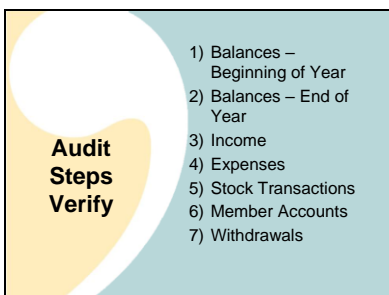
Where you should find votes where you authorized expenses, and stock transactions. You may also find details about withdrawal discussions.

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

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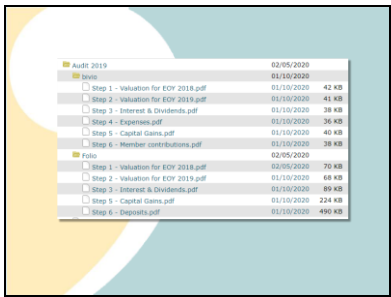


Once all your records are gathered, the information is given to the auditors. The audit checklist includes 7 steps we recommend they do to verify your club records. They are:

- 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.

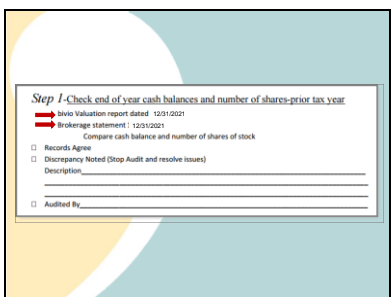
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First just a logistical note. Many clubs meet in person to complete the audit. Many other clubs do an audit without physically getting together. Here is how clubs do the audit virtually. They upload the reports needed to compare into the club's Files area in bivio. For example, you can see here that the reports needed to do each step both from the broker and from bivio have been captured into folders corresponding to the audit steps.

With this information members can login to bivio and get the information they need to make the audit comparisons. Auditors for the club then do the steps together using Zoom, but you could also assign a different club member to make the comparisons for each step. Two people could even work together over the phone using the information they got from your bivio site to make the comparisons.

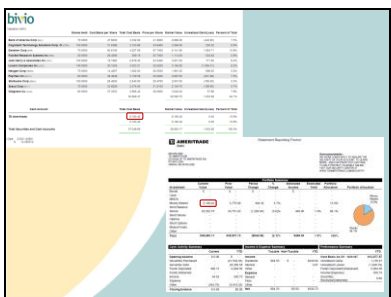
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Your first step is to confirm that you started out the tax year with correct records. To do this you'll be comparing the

brokerage statement from the end of the prior tax year to a bivio valuation report with the same date.

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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 on the bivio report that you don't actually have, you have issues you need to correct. The only balances shown should be for accounts that you actually had at the end of 2021.

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The image shows a screenshot of the Bivio software interface. It displays a financial statement with various columns and rows. Red boxes are drawn around specific data points in the 'Assets' and 'Liabilities' sections, likely to illustrate a comparison or discrepancy. The interface includes a header with the Bivio logo and a sidebar with navigation options.

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 investments without current prices. In this case, you will see a note on your valuation telling you that some of your stocks don't have current prices.

This is also a problem that needs to be investigated and addressed. 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.

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The slide features a light blue background with a white and yellow abstract shape on the left. The text is as follows:

- Step 1**
Prior tax year
balance check
- Why?*
 - To start off right
- Discrepancy?*
- A red octagonal **STOP** sign.

This is a very important step.

Why do we do this step?

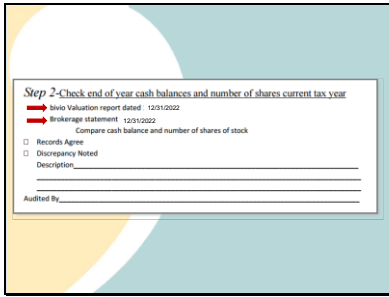
Because if the start-of-year numbers for cash balance, number of shares or stock price are wrong, there is no way the tax-year numbers will be correct.

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. A problem at this point means there are issues in your accounting that need to be addressed.

They 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.

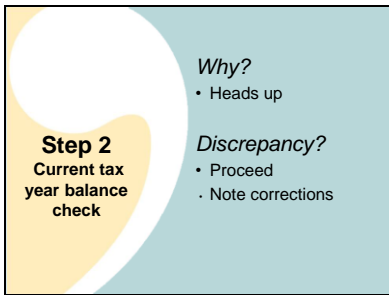
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If you get past step one, it's fine to move on to the rest of the audit.

In step 2, the same comparisons are made but you use reports dated at the end of the tax year you are auditing. Which would be 2022

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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.

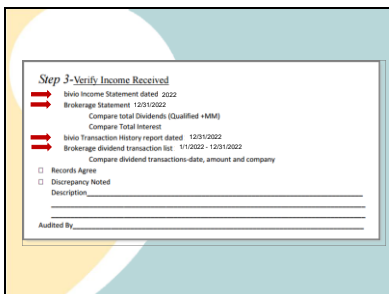
So for step 2, even if you find a discrepancy,

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.

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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.

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Step 3-Part 1

Da Dimes Club
Income Statement

Income	
Qualified Dividend	
All Capital Corp (AAL)	12.00
Apple Inc (AAPL)	36.54
Coca Cola (KO)	68.00
Facebook Co (FB)	12.00
General Electric (GE)	9.40
Hershey's (HSY)	15.00
Microsoft Corp (MSFT)	55.71
T Rowe Price Group Inc (TRGW)	142.80
Total Qualified Dividend	349.53
Short-Term Capital Gain	(358.89)
Long-Term Capital Gain	689.97
Total Income	679.61
Expense	
Miscellaneous Expense	55.81
Total Expense	55.81

Interest and Dividend Summary		Month Ending	Year To Date
Interest Income	10.00	12-31-2015	10.00
Dividend Income	359.57		359.57
Total	369.57		369.57

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

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Step 3-Part 2

Transaction	Date	Amount	Description
Dividend	12/31/15	12.00	Qualified Dividend (AAL)
Dividend	12/31/15	36.54	Qualified Dividend (AAPL)
Dividend	12/31/15	68.00	Qualified Dividend (KO)
Dividend	12/31/15	12.00	Qualified Dividend (FB)
Dividend	12/31/15	9.40	Qualified Dividend (GE)
Dividend	12/31/15	15.00	Qualified Dividend (HSY)
Dividend	12/31/15	55.71	Qualified Dividend (MSFT)
Dividend	12/31/15	142.80	Qualified Dividend (TRGW)
Capital Gain	12/31/15	(358.89)	Short-Term Capital Gain
Capital Gain	12/31/15	689.97	Long-Term Capital Gain
Expense	12/31/15	55.81	Miscellaneous Expense

Date	Amount	Description
12/31/15	12.00	Qualified Dividend (AAL)
12/31/15	36.54	Qualified Dividend (AAPL)
12/31/15	68.00	Qualified Dividend (KO)
12/31/15	12.00	Qualified Dividend (FB)
12/31/15	9.40	Qualified Dividend (GE)
12/31/15	15.00	Qualified Dividend (HSY)
12/31/15	55.71	Qualified Dividend (MSFT)
12/31/15	142.80	Qualified Dividend (TRGW)
12/31/15	(358.89)	Short-Term Capital Gain
12/31/15	689.97	Long-Term Capital Gain
12/31/15	55.81	Miscellaneous Expense

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 that the date of receipt,

amount and

company who paid each dividend agree.

Slide 42

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.

Slide 43

Step 4-Verify Expenses
 Bivio Income Statement Report dated: 2022

- ➔ 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 file storage (receipts, meeting minutes)
- ➔ Bivio Transaction History Report 12/31/2022
- ➔ Club Partnership agreement
 - Verify expenses allocated as club requires

Records Agree
 Discrepancy Noted
 Description _____
 Audited By _____

A club usually has very few expenses but expense entries are a common place in accounting where fraud can occur. In this step you will make sure the expenses 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. By 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.

Slide 44

Step 4-Verify Expenses Paid
 Da Demo Club
 Income and Expense History

Portfolio Expenses		
Date	Remark	Amount
02/13/2019	Club Subscription	51.00
03/07/2019	Postage for mailing club taxes	7.75
08/02/2019	Renew DBA with County	10.00
		68.75

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.

Slide 45

Step 4-Verify Expenses Paid
 bivio

Transaction History
 01/01/2020 to 12/31/2020 [Columns](#)

Clear filters: Income and Expenses

Date	Description	Debit	Credit	Net Expense
01/01/2020	Account opened 75 American	10.00		
01/01/2020	Expense 75 American		10.00	(10.00)
01/01/2020	Account opened 75 American	10.00		
01/01/2020	Expense 75 American		10.00	(10.00)
01/01/2020	Account opened 75 American	10.00		
01/01/2020	Expense 75 American		10.00	(10.00)
01/01/2020	Account opened 75 American	10.00		
01/01/2020	Expense 75 American		10.00	(10.00)

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

Slide 46

**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 the Audit.

Note the entries where corrections are needed.

Slide 47

Step 5-Verify Stock Transactions

- ➔ Bivio Transaction Ledger Report dated 12/31/2022
- ➔ Brokerage trade confirmation summary report 1/1/2022 - 12/31/2022
Confirm transaction dates, security name, number of shares of stock, purchase/sale price, total cost or proceeds
- ➔ Bivio Capital Gain/Loss Report 12/31/2022
- ➔ Brokerage Realized Gain/Loss Report 12/31/2022
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 12/31/2022
- ➔ Brokerage statements for month reorganization occurred
- ➔ Brokerage Unrealized gain/loss report
Confirm reorganizations entered correctly. (contact bivio support if necessary)
- ➔ Bivio Investment lot cost basis report - dated right after date of reorganization
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.

Slide 48

Step 5
Verify Stock Transactions

- 5a – Verify purchases and sales
- 5b – Verify capital gains and losses
- 5c – Verify reorganizations

Step 5 has three parts:

In the first part, part 5a, you will verify purchases and sales were entered correctly

Then, in part 5b, you will verify that the capital gains and losses shown in bivio agree with what your broker shows

Finally in part 5c, you will verify that reorganizations were entered correctly and also verify that any cost basis adjustments agree with what your broker shows.

Slide 49

Step 5a-
Stock Transactions – Verify purchase and sale entries

In step 5a you should 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 and Sale prices and number of shares at your broker

And in bivio

Purchase and Sale Dates at your broker

And in bivio

Total net amount at your broker

And in bivio

Total cash.

Slide 50

Step 5b-
Stock Transactions – Verify Capital gains/losses

- Realized Gain/Loss Report –Broker
- Capital Gains and Losses –bivio

Next you will confirm that your capital gain and 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 provide you at any time during the year called a “Realized Gain/Loss Report”

With the Capital Gains and Losses Report bivio provides you

Slide 51

Capital Gains and Losses from 01/01/2013 to 12/31/2013

Short-Term Capital Gains

Description	Acquisition Date	Date Sold	Sale Price	Cost Basis	Gain/Loss
21 Keeneland Ltd (PAC)	02/05/14	01/09/15	622.00	622.00	00.00
3.02042 Pfd 48 (PAC)	02/05/14	02/05/14	114.50	114.50	00.00
3.02042 Pfd 48 (PAC)	02/05/14	02/05/14	114.50	114.50	00.00
3.02042 Pfd 48 (PAC)	02/05/14	02/05/14	114.50	114.50	00.00
Total			345.50	345.50	00.00

Long-Term Capital Gains

Description	Acquisition Date	Date Sold	Sale Price	Cost Basis	Gain/Loss
1.01010 Capital Asset (PAC)	02/05/14	02/05/14	1,000.00	500.00	500.00
1.01010 Capital Asset (PAC)	02/05/14	02/05/14	1,000.00	500.00	500.00
1.01010 Capital Asset (PAC)	02/05/14	02/05/14	1,000.00	500.00	500.00
Total			3,000.00	1,500.00	1,500.00

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

Slide 52

Step 5c - Reorganizations
How will you know?

Investment Splits, Spin-offs and Mergers

Date	Description	New Shares
12/10/2008	Split: Nogen Corp (PAC) STOCK_SPLIT	00.000000

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 transaction 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.

Slide 53

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 one 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 broker's 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, in 2019, Dow chemical went through a series of three reorganizations and clubs that owned those shares ended up with three different companies, DOW, DD and CTVA. You should 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 reorganizations have been updated in your records in a timely manner. Your treasurer should 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 if they have affected subsequent transactions.

Slide 54

Reorganization Cost Basis Adjustments

- 2002
- ADN Acquisition of KL, Merger of equata, 2/7/02 ADN/CL
- 6/27/02/022, Fractional shares received from the sale of
- AMC dividend preferred units, 6/22/02/02, 1 AME for 1 AMC
- AMC Acquisition of AUMC, 5/27/02/022, 1 2234 AMO/AUMC
- AMN split, 04/04/02/02, 10 for 1
- Stock Split of EPMC, 5/22/02/02, 1 EPMC for 5 BOK, 97 70494
- Reorganizing BOK
- BBP merger WDS issued special dividend, 6/2/02/02, 1614 WDS
- ADCS 100% WDS, 10/1/02/02
- CGM demerger & reversed split, 7/15/02/022, 10000 1 BLS/ADG for 1
- CGM ADG 81.8421% Reversing Bases CGM Share Consolidation,
- 7/15/02/02, 4 shares from CGM ADG for 1 share CGM Adg.
- HMSD reverse split, 08/29/02/02, 1 for 15
- HGSAR/OSB merger into SHSL, 1/1, non-taxable, 7/1/2002
- THWD Acquisition of EMCA, 5/24/02/02, 9330000 2954 and 2485
- THWD/EMCA
- 2004 spinoff ZPM, 3/1/2002 1 share ZPM for 10 shares ZPM,
- 87 85888% Reorganizing Bases

Here is a list of some of the reorganizations we have helped clubs make entries for this year. As you can see, there are a lot of them and many clubs are impacted.

You can get to this list at a link named "Reorganization Cost Basis Adjustments" on our Help page. Note that these are only some of those that we've addressed for clubs with questions. There are many others.

Slide 55

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. 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.

Slide 56

Step 6-Verify Member Contributions

- bivio Member Contributions and Withdrawals report dated 2022
- Club partnership agreement
- Brokerage Deposit transaction summary list 1/1/2022 - 12/31/2022 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 1/23/2022

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 these records affect member ownership, both the percentage of the club each person owns and the gains or losses they have had from their investment in the club. They also will affect whether the correct amount of taxable income will be shown on each member's 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 deposit transaction summary list or monthly statements from your broker.

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Step 6
Verify Member Payments

Members grouped by transaction month, with valuation dates 12/31/2018

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Payments	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
Withdrawals												
Net	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

Date	Description	Amount
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00
12/31/2018 10:24:37	PERSONAL CHECK RECEIPT	100.00

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.

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.

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Step 6
Verify Member Payments

Valuation Dates

What Date?
One Date Per Month
-or-
The Deposit Date

One Date Per Month

- Same date for all entries
- Different from month to month

The 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 the valuation date?

Clubs often use either 'one per month', like: "this month's meeting date", or "the Friday before our meeting"

or

they set the valuation date equal to the date a payment was deposited

If they use 'one date per month' you should see two things on a member contributions and withdrawals report

For a given month, they should all be the same

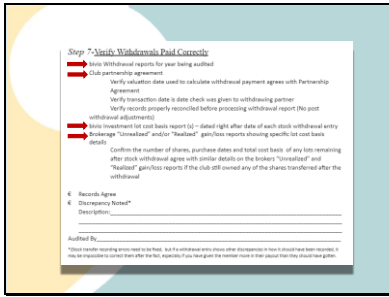
And they should not be the same from month to month

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.

Slide 62



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.

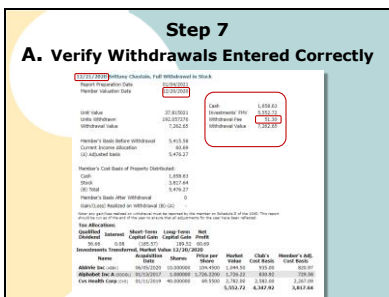
You'll be looking at withdrawal reports that were generated in bivio when the withdrawal was entered.

You may also need to refer to your club partnership agreement.

If you transferred any stock to pay withdrawals, you'll also need copies of bivio "Investment Lot Cost Basis" reports generated right after the dates of the withdrawals.

You'll also need copies of Unrealized and Realized Gain/Loss reports from your broker that show number of shares, purchase date and total cost basis for each lot of each of the stocks that you still owned or have sold after the withdrawal.

Slide 63



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

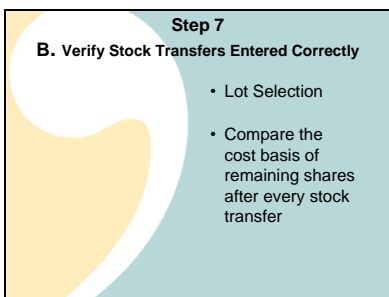
Proper withdrawal transaction date

Correct withdrawal valuation 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" listed in this section.

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If you have paid any withdrawals with shares of stock, and you still owned any shares of those stocks after the transfer, you have an additional check to do.

You need to check that the correct lots of shares were selected as transferred when the withdrawal was entered in bivio.

You do this by checking that the lots of each stock remaining in bivio are the same ones your broker showed that you owned after the withdrawal transfer.

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Step 7
B. Verify Stock Transfers Entered Correctly

Div Demo Club

Member Valuation Data

Member Valuation Date:	12/31/2021	06/01/2021
Dividend:	46,119.00	2,048
Div Withdrawal:	228,222.00	1,000,000.00
Div Withdrawal Date:	02/02/2021	02/02/2021
Member's Stock Value Withdrawal:	5,348.13	
Current Source Allocation:	276.85	
Div Reinvestment:	1,248.78	
Member's Cost Basis of Property (Div Withdrawal):	186.13	
Gain:	4,952.42	
Div Date:	02/02/2021	
Member's Shares After Withdrawal:	1	

Investment Lot Cost Basis for Withdrawal on 02/02/2021

Symbol	Quantity	Cost Basis	Market Value	Gain/Loss
ABBV	1	186.13	1,000.00	813.87
GOOGL	1	186.13	1,000.00	813.87
FB	1	186.13	1,000.00	813.87
MSFT	1	186.13	1,000.00	813.87

For example,

the demo club paid out a withdrawal with shares of stock on 6/2/2021.

They transferred shares of ABBV, GOOGL, FB and MSFT to the withdrawing member.

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Step 7
B. Verify Stock Transfers Entered Correctly

Div Demo Club

Investment Lot Cost Basis for 06/02/2021

Acquisition Date	Shares	Cost Basis	Total	Market Value	Unrealized Gain/Loss	Gain Type
06/01/2020	35,000.00	\$3,500.00	\$3,500.00	\$3,527.35	\$27.35	STCG
08/01/2020	20,000.00	\$2,000.00	\$2,000.00	\$2,044.00	\$44.00	STCG
11/05/2020	20,000.00	\$2,000.00	\$2,000.00	\$2,244.20	\$244.20	STCG
02/01/2021	1,000.00	\$100.00	\$100.00	\$100.00	\$0.00	STCG
02/02/2021	1,000.00	\$100.00	\$100.00	\$100.00	\$0.00	STCG
06/14/2019	1,000.00	\$100.00	\$100.00	\$100.00	\$0.00	STCG
Subtotal	81,000.00	\$8,100.00	\$8,100.00	\$8,915.55	\$815.55	
09/13/2019	1,000.00	\$100.00	\$100.00	\$100.00	\$0.00	STCG
11/10/2019	4,000.00	\$400.00	\$400.00	\$400.00	\$0.00	STCG
12/02/2019	5,000.00	\$500.00	\$500.00	\$500.00	\$0.00	STCG
Subtotal	10,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$0.00	
10/12/2019	1,000.00	\$100.00	\$100.00	\$100.00	\$0.00	STCG
09/01/2020	10,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$0.00	STCG
07/13/2020	10,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$0.00	STCG
Subtotal	20,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$0.00	

After the withdrawal was recorded, bivio showed these lots of each of those stocks remain in the club accounting on the Investment Lot Cost Basis Report.

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Step 7
B. Verify Stock Transfers Entered Correctly

Div Demo Club

Unrealized Gain/Loss Report

Symbol	Quantity	Cost Basis	Market Value	Unrealized Gain/Loss
ABBV	1	186.13	1,000.00	813.87
GOOGL	1	186.13	1,000.00	813.87
FB	1	186.13	1,000.00	813.87
MSFT	1	186.13	1,000.00	813.87

An

“Unrealized Gain/Loss” report

shows the cost basis details of each stock still owned as of the end of the year. Details of each lot should be compared to the bivio report to make sure they agree.

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Step 7
B. Verify Stock Transfers Entered Correctly

Symbol	Description	Transfer	Qty	Acquisition	Cost	Current	Gain	Loss	Gain/Loss	Gain/Loss %
FB	FB	1	1000	1000	1000	1000	0	0	0	0%
FB	FB	2	1000	1000	1000	1000	0	0	0	0%
FB	FB	3	1000	1000	1000	1000	0	0	0	0%
FB	FB	4	1000	1000	1000	1000	0	0	0	0%
FB	FB	5	1000	1000	1000	1000	0	0	0	0%

Since the club had sold the rest of their FB stock after the withdrawal.

The cost basis details for each lot of it had to be compared against those details on a “Realized Gain/Loss” report.

They would not show on an “Unrealized Gain/Loss” report run at the end of the year.

Slide 69

Step 7
Verify withdrawals

Why?

- Withdrawals correct

Discrepancy?

- Proceed
- Note corrections or future improvements

So why are you doing Step 7?

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 the Audit

Note entries where corrections or future improvements are needed.

Slide 70

Step 7
Verify withdrawals

Corrections Needed

- Lot selection
 - Corrections Needed

If the lots of shares transferred

were identified incorrectly when the withdrawal entry was made in bivio,

that will need to be fixed by your club treasurer before your taxes are filed.

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Step 7
Verify
withdrawals

Corrections Needed

- Payment Amount?
 - Proceed with extreme caution

If a withdrawal has been paid, and you've paid the member the wrong amount, it may be impossible to correct payment amount discrepancies because the member has left and may have already received and cashed their check.

It is also almost impossible to make withdrawal payment 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.

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Audit Steps
Verify

- 1) Balances – Beginning of Year
- 2) Balances – End of Year
- 3) Income
- 4) Expenses
- 5) Stock Transactions
- 6) Member Accounts
- 7) Withdrawals

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.

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Audit Wrapup

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

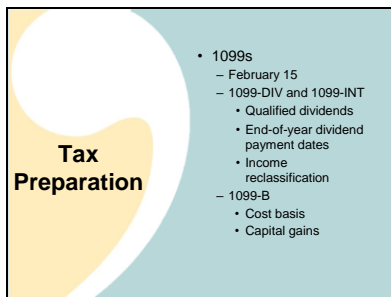
Once the auditors have gone through the steps here's what should happen

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

Your 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 note about club taxes. Doing an audit 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 1099s. 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

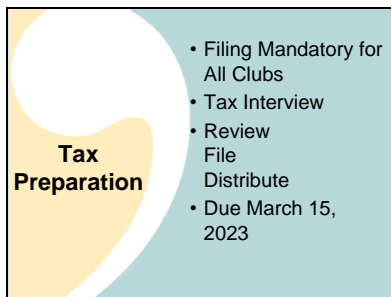
Possible reclassification of dividend income

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 your bivio records show. The work you did on step five 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.

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Tax Preparation

- Filing Mandatory for All Clubs
- Tax Interview
- Review File
- Distribute
- Due March 15, 2023

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.

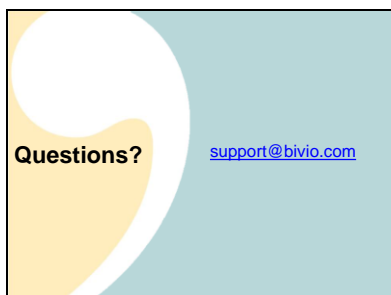
The good news is that once your records are all correct, preparing your taxes is a very quick process. You answer a few questions and press a button.

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

They are due by March 15, 2023.

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.

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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 broker's reports you are comparing to and make sure to identify the specific issues you have questions about. If you entered any questions during this webinar or in advance that were specific to your club that I haven't addressed, send them to us in support and we can help you work through them.

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Tax Preparation Webinar

Tax Program Ready in Mid-February

February 13, 2023 Webinar

www.bivio.com/club_cafe

The bivio tax program will be available in mid-February.

We'll also be doing a webinar about how to prepare your club taxes on February 13. It will include the new electronic filing of your taxes.

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

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