

Non Monthly Treasurers
Tasks

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Laurie Frederiksen
I am my club's treasurer.....

One of your friends at
bivio

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Non Monthly Treasurer Tasks

- Withdrawals
 - Full Withdrawals
 - “Buy Outs”
 - Partial Withdrawals
- Expenses
 - Allocation
 - Deductible vs Non Deductible
- Reimbursements
- Advance Payments

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Why is being an Investment
Club Treasurer different than
being the treasurer of other
organizations you may have
belonged to?

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Example:
PTA Treasurer, Church Treasurer

Single Ownership
Vs
Multiple Ownership

One Account → One Set of transactions → One Owner

Investment Club

One Account → One Set of transactions → Multiple Owners

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In addition to entering
transactions,

you are tracking how much of each
transaction applies to each club
member

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Transactions are allocated to members as they occur, based on their ownership percentages at that time

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So,
at the beginning,
your club will probably think,
we'll all put in the same amount of money on the same date and share all our expenses equally!
That's easy to understand!
Except...

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Life Happens
People miss payments for legitimate reasons
People will have times where they can't contribute as much as they used to
People will need some of the money they've invested in your club
People may want to join your club
Under these circumstances, it becomes more complicated for your treasurer to enter transactions and keep everyone "equal"

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Trying to do so is going to lead your treasurer into trouble

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But,
That is no reason you can't have a healthy, well functioning investment club
Because,
Your treasurer can easily account for everyone having different ownership

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Partnership Accounting
Unit Based Accounting

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Pool of Assets

Total Club Asset Value Changes
Daily

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But,

We also need to track
club member ownership
of the Pool of Assets

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Units are a Little Bit Like Buying Foreign Currency

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We use Unit Based Accounting to allow for
the inevitable variation in club ownership

In an Investment Club, perfectly acceptable
reasons will result in member contributions
differing in amounts and timing

This is OK

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To account for ownership correctly, certain club transactions need to be entered in specific ways

Cash contributions from club members need to be entered as Payments using the Payment form

Asset removal by members needs to be entered as a withdrawal using the withdrawal form

You need to follow the path to keep your job simple

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Non Monthly Treasurer Tasks

Withdrawals

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Non Monthly Treasurer Tasks-Withdrawals

Somebody Wants to Withdraw

Now What?

DO NOT JUST WRITE THEM A CHECK!!!!

Why Not???

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Non Monthly Treasurer Tasks-Withdrawals

To account for your withdrawal correctly specific things need to happen

- Ownership needs to be valued correctly
 - (Number of units) x (value of units) on your official club withdrawal valuation date
- Withdrawing members units need to be deleted from your club records so their ownership is no longer affecting other members ownership
- Correct tax reporting needs to be done. There are tax consequences for them based on the difference between what they paid for their units and what they will receive from the withdrawal

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Non Monthly Treasurer Tasks-Withdrawals

You Cannot Process A Withdrawal Until

Step 1-You know what your club partnership agreement says

Step 2-You know your club accounts are reconciled

Step 3-You have created a " Pending Withdrawals" account

Step 4-You know how you will pay off the withdrawing member

- Stock
- Cash
- Both

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Non Monthly Treasurer Tasks-Withdrawals

First Stop-Partnership Agreement

BetterInvesting Sample Partnership Agreement

<http://legacy.betterinvesting.org/articles/web/3462>

Paragraphs with Pertinent Details

7-Partnership Valuation Date

18-Voluntary Withdrawal (Full or Partial) of a Partner Is Allowed

Time Frame for Processing Withdrawal

20-Payment Terms

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Non Monthly Treasurer Tasks-Withdrawals

Partnership Agreement-Paragraph 7

7. Value of the Partnership. The current value of the assets of the partnership, less the current value of the liabilities of the partnership, (hereinafter referred to as the "value of the partnership") shall be determined as of a regularly scheduled date and time ("valuation date") preceding the date of each periodic meeting determined by the Club.

Suggestion:

Valuation Date for Withdrawals be 2 business Days Before Club Meeting Date

Withdrawal valuation date can be different than member Payment Valuation Date

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Non Monthly Treasurer Tasks-Withdrawals

Partnership Agreement-Paragraph 18

18. Voluntary Withdrawal (Partial or Full) of a Partner. Any partner may withdraw a part or all of the value of his capital account in the partnership and the partnership shall continue as a taxable entity.

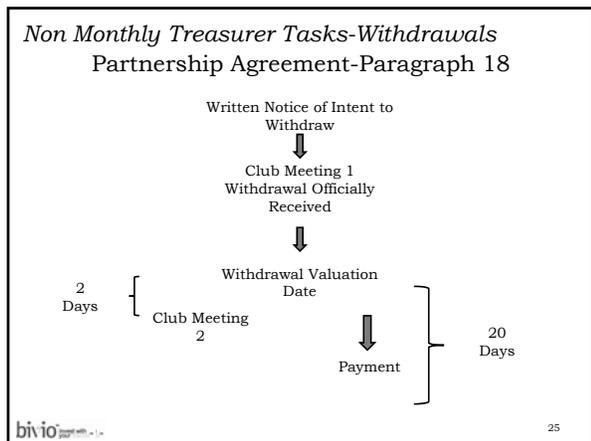
The partner withdrawing a part or all of the value of his capital account shall give notice of such intention in writing to the Secretary.

Written notice shall be deemed to be received as of the first meeting of the partnership at which it is presented. If written notice is received between meetings it will be treated as received at the first following meeting.

In making payment, the value of the partnership as set forth in the valuation statement prepared for the first meeting following the meeting at which notice is received from a partner requesting a partial or full withdrawal, will be used to determine the value of the partner's account.

The partnership shall pay the partner who is withdrawing a portion or all of the value of his capital account in the partnership in accordance with paragraph 20 of this Agreement.

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Non Monthly Treasurer Tasks Partnership Agreement-Paragraph 20 Terms of Payment

Payment Method-Cash or Stock
Who Makes Choice
How to Determine the Amount Owed
Whether to Charge a Withdrawal "Fee"
Time Frame for Paying Withdrawing Member
Full and Partial Withdrawals

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Non Monthly Treasurer Tasks Partnership Agreement-Paragraph 20 Terms of Payment-Suggested Changes

Current Wording: Where cash is transferred, the partnership shall transfer to the partner (or other appropriate entity) withdrawing a portion or all of his interest in the partnership, an amount equal to the lesser of (i) ninety-seven percent (97%) of the value of the capital account being withdrawn, or (ii) the value of the capital account being withdrawn, less the actual cost to the partnership of selling securities to obtain cash to meet the withdrawal. The amount being withdrawn shall be paid within 10 days after the valuation date used in determining the withdrawal amount.

Suggested Wording: Where cash is transferred, the partnership shall transfer to the partner (or other appropriate entity) withdrawing a portion or all of his interest in the partnership, an amount equal to the value of the capital account being withdrawn, less the actual cost to the partnership of selling securities to obtain cash to meet the withdrawal. The amount being withdrawn shall be paid within 20 days after the valuation date used in determining the withdrawal amount.

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Non Monthly Treasurer Tasks Partnership Agreement-Paragraph 20 Terms of Payment-Suggested Changes

Current Wording: Where securities are transferred, the partnership shall select securities to transfer equal to the value of the capital account or a portion of the capital account being withdrawn (i.e., without a reduction for broker commissions). Securities shall be transferred as of the date of the club's valuation statement prepared to determine the value of that partner's capital account in the partnership. The Club's broker shall be advised that ownership of the securities has been transferred to the partner as of the valuation date used for the withdrawal.

Suggested Wording: Where securities are transferred, the partnership shall select securities to transfer equal to the value of the capital account or a portion of the capital account being withdrawn (i.e., without a reduction for broker commissions). Securities shall be transferred within 20 days of the club's withdrawal valuation date.

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- ### Non Monthly Treasurer Tasks-Withdrawals Step 2-Reconcile Club Accounts
- Cash
 - Number of Shares of Stock
 - Member Payments
 - Expenses
 - Income Received
 - Investment Transactions Entered Correctly
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Non Monthly Treasurer Tasks-Withdrawals

Verify Cash

Investment	Shares Held	Cost Basis per Share	Total Cost Basis	Price per Share	Market Value	Unrealized Gain(Loss)	Percent of Total
Equigiant Technology Solutions Corp. (EQ)	100,000	3,100.00	310,000.00	1.800.00	17,307.00	(292,693.00)	7.2%
Stanley Corp. (ST)	100,000	2,400.00	240,000.00	1,800.00	180,000.00	(60,000.00)	8.0%
Facility Research Systems Inc. (FRS)	100,000	3,000.00	300,000.00	1,500.00	150,000.00	(150,000.00)	14.0%
Jack Henry & Associates Inc. (JAH)	100,000	18,000.00	1,800,000.00	17,000.00	1,700,000.00	(100,000.00)	11.0%
Paycom Inc. (PAY)	100,000	12,000.00	1,200,000.00	11,000.00	1,100,000.00	(100,000.00)	12.0%
Happy Corp. (HAP)	100,000	20,000.00	2,000,000.00	19,000.00	1,900,000.00	(100,000.00)	8.0%
Cash Account			7,610.00				

Non Monthly Treasurer Tasks-Withdrawals

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Paycom Inc. (PAY)	100,000	12,000.00	1,200,000.00	11,000.00	1,100,000.00	(100,000.00)	12.0%
Happy Corp. (HAP)	100,000	20,000.00	2,000,000.00	19,000.00	1,900,000.00	(100,000.00)	8.0%
Cash Account			7,610.00				

Non Monthly Treasurer Tasks-Withdrawals

Verify Member Payments

Name	Paid Since	Total Paid	Tax Basis	Units Since	Market Value	Percent
White, Snow	02/28/2009	6,437.83	6,450.67	2,637,444	531,796,000	21.5%
Doc	02/28/2009	3,752.38	3,590.51	10,572,749	276,555,315	2,767.12
Dopey	02/28/2009	1,635.84	1,541.99	21,144,441	138,305,123	1,383.83
Grumpy	02/28/2009	3,491.94	3,248.11	5,274,000	243,745,000	2,438.83
Happy	02/28/2009	6,989.44	7,003.29	2,645,301	571,621,616	5,719.46
Sleepy	02/28/2009	8,839.30	8,894.67	5,289,545	713,248,334	7,136.53
Total		450.22	1,056.73	30,729.24	47,564,368	2,475.272092

Non Monthly Treasurer Tasks-Withdrawals

Verify Monthly Transactions

Date	Description	Cost Basis
03/03/2009	Purchased 30 shares Quality Systems Inc. (QSI) at 34.2 per share. 9.98 commission	1,719.59
03/27/2009	Purchased 80 shares Equigiant Technology Solutions Corp. (EQ) at 26.12 per share. 9.99 commission	1,619.59

Non Monthly Treasurer Tasks-Withdrawals

Step 3-Create a "Pending Withdrawals" Account

Name	Last Updated	Cash Balance	Actions
Pending Withdrawals	03/31/2009	0.00	View
30 Accounts	03/31/2009	3,328.90	View
		3,328.90	

Non Monthly Treasurer Tasks-Withdrawals

Step 4-Payoff Options, Full Withdrawal

Choice 1-Appreciated Stock

- Tax Benefits-
 - Withdrawing member's basis is basis in club
 - Capital gains can be deferred until stock is sold
 - Remaining club members defer capital gain
 - Club can repurchase immediately
 - No wash sale
 - Updated basis

Choice 2-Cash

- Use Available Cash
- Sell Securities Showing a Loss
- Members Make Additional Payments to Increase Cash Assets

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Non Monthly Treasurer Tasks-Withdrawals

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Valuation (NAV) for 10/29/2008

Shares Held	Cost Basis per Share	Total Cost Basis	Price per Share	Market Value	Unrealized Gain(Loss)	Percent of Total
Capigiant Technology Solutions Corp. (C:174)	31.0300	2,163.00	17.5000	1,750.00	(1,350.00)	5.7%
DeSmet Corp (D)	69.2320	2,423.16	66.7900	1,907.66	(435.50)	6.3%
Facet Research Systems Inc (F)	40.7921	3,683.37	36.8000	2,948.80	(714.57)	9.4%
Fatened Co (A:2)	36.8499	3,684.99	39.1200	3,912.00	227.01	12.3%
General Electric Company (G)	32.3792	4,134.98	19.2000	2,419.20	(1,685.78)	7.7%
Jack Henry & Associates Inc (J)	19.1960	2,879.40	16.3700	2,610.00	(269.40)	8.8%
Paychex Inc (P)	38.1056	4,182.78	26.4000	3,175.20	(1,407.58)	10.2%
Stryker Corp (S)	63.6429	5,091.43	50.0000	4,046.40	(1,045.03)	12.9%
Spco Corp (T)	33.9229	2,374.00	24.8000	1,740.20	(634.40)	5.6%
		31,958.98		24,639.95	(7,428.73)	78.9%

Cash Account	Total Cost Basis	Market Value	Unrealized Gain(Loss)	Percent of Total
TD Ameritrade	6,741.02	6,741.02	0.00	21.6%
	6,741.02	6,741.02	0.00	21.6%
Total Securities and Cash Accounts	38,719.20	31,281.47	(7,428.73)	100.0%

Total Number of Valuation Units to Date: 2,922,140.73
Value of One Unit: \$ 10,704.89

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Non Monthly Treasurer Tasks-Withdrawals

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Account Summary for 04/01/2009

Name	Last Updated	Cash Balance	Actions
Pending Withdrawals		0.00	units, details, transactions
Reimbursement		0.00	units, details, transactions
TD Ameritrade	03-31-2009	9,032.44	units, transactions
		9,032.44	

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Non Monthly Treasurer Tasks-Withdrawals

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Member Summary for 04/01/2009

Name	Units	Market Value	Percent	Actions
White, Steve	531.031891	5,525.34	17.1%	details, fee, transactions
Doc	275.873478	2,867.20	8.8%	details, fee, transactions
Capote	137.123732	1,425.15	4.4%	details, fee, transactions
Stoney	243.471676	2,529.36	7.8%	details, fee, transactions
Maddy	571.471104	5,939.39	18.3%	details, fee, transactions
Stoney	712.938316	7,409.68	22.9%	details, fee, transactions
Stoney	646.109247	6,715.12	20.7%	details, fee, transactions
	3,118.563432	32,411.74	100.0%	

One unit = \$ 10,393.164

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Non Monthly Treasurer Tasks-Withdrawals

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Member Withdrawal

Member: **Stoney**

Transaction Date: **11/07/2008**

Member Valuation Date: **10/29/2008** Member Value: **6,916.18**

Account: **Pending Withdrawals, balance 0.00**

Amount: **0.00**

Fee: **0.00**

Type: **Cash**

Transfer Valuation Date: **11/07/2008**

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Non Monthly Treasurer Tasks-Withdrawals

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11/07/2008 Stoney, Full Withdrawal in Cash

Report Preparation Date: 04/01/2009
Member Valuation Date: 10/29/2008

Unit Value	Cash	6,906.17	
Units Withdrawn	646.109247	Withdrawal Fee	20.01
Withdrawal Value	6,916.18	Withdrawal Value	6,916.18

Member's Basis Before Withdrawal: 8,955.55
Current Income Allocation (A): 4,498.71
Member's Cost Basis of Property Distributed:
Cash: 6,896.17
Stock: -
(B) Total: 6,896.17

Member's Basis After Withdrawal: 0
Gain(Loss) Realized on Withdrawal (B)(A): (1,990.54)

Tax Allocations

Dividend	Qualified Dividend	Short-Term Capital Gain	Long-Term Capital Gain	Misc. Expense	Net Profit
10.24	110.53	(306.53)	(270.37)	(17.81)	(469.94)

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Non Monthly Treasurer Tasks-Withdrawals

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Account Summary for 11/07/2008

Name	Last Updated	Cash Balance	Actions
Pending Withdrawals	11/07/2008	(6,896.17)	units, details, transactions
Reimbursement		0.00	units, details, transactions
TD Ameritrade	11/07/2008	9,032.44	units, transactions
		2,136.27	

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Non Monthly Treasurer Tasks-Withdrawals

When Sneezy cashes his check, record it as a transfer from Broker to Pending Withdrawals

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Non Monthly Treasurer Tasks-Withdrawals

Name	Last Updated	Cash Balance	Actions
Pending Withdrawals	03/01/2009	0.00	edit transactions
Reimbursement	03/01/2009	0.00	edit transactions
TD Ameritrade	03/01/2009	2,136.27	edit transactions
		2,136.27	

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Non Monthly Treasurer Tasks-Withdrawals "Buy Outs"

- 2 Steps
 - Members contribute cash recorded as payments
 - Withdrawing member is withdrawn as usual
- 1 Valuation Date
 - Units removed = Units Received
- Use Pending Withdrawals account to avoid change in club cash
 - Actual cash can be given directly from the members to the withdrawing member

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Non Monthly Treasurer Tasks-Withdrawals Partial Withdrawal

- Payment Options
 - Use available cash
 - Sell Stock at a loss and pay with cash
 - Transfer Appreciated Stock
- Member making partial withdrawal decides. All options OK for remaining members

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Non Monthly Treasurer Tasks-Expenses

Expenses

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Non Monthly Treasurer Tasks-Expenses

- Only enter expenses in your club books that apply to all members
 - Why?
 - That is what the software is designed for
 - Expenses can be allocated to each member in one of two ways
 - Each person pays an equal percentage of their share of the club
 - Each person pays an equal dollar amount
 - Software is not designed to enter expenses that only apply to a single member
 - Having to enter that type of transaction is very complicated for your treasurer
 - Member expenses are passed through in a partnership. There is no benefit to accounting for individual ones in the club books. A member can pay them directly and still enter them in the same place on their personal income tax
 - Just because you have a club treasurer and a financial account doesn't mean all expenses should go through it

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Non Monthly Treasurer Tasks-Expenses

Account Summary for 04/01/2009

Name	Last Updated	Cash Balance	Actions
Reimbursement		0.00	edit delete transaction
TD Ameritrade	03/31/2009	2,136.27	edit transaction
		2,136.27	

Non Monthly Treasurer Tasks-Expenses

Account Expense

Account: TD Ameritrade

Transaction Date: 04/01/2009

Amount: 99

Category: bivo Subscription

Allocate Equally Among Members [what's this?]

Remark:

OK Cancel

Non Monthly Treasurer Tasks-Expenses

- Non Deductible Club Expenses
 - Convention and Seminar Registration Costs
 - Meals and Food
 - Party Supplies
 - Flowers or other gifts
- Deductible Club Expenses
 - bivio subscription
 - Fidelity bond or other club insurance
 - Educational materials and subscriptions
 - Office supplies
 - Meeting space rental

Questions? IRS Publication 550

Non Monthly Treasurer Tasks-Expenses

- Reimburse members who pay club expenses with units, not cash
 - Why?
 - No net change in club cash
 - Expense transaction removes money from all members
 - Member reimbursement in units uses the money above to "pay" member in units
 - 0 net affect on club cash
 - Simplifies quicker payment of expenses. No need to wait for a check to clear. Club can't have a credit card. Member can put charge on personal credit card.

Non Monthly Treasurer Tasks-Expenses

- Reimbursement-Step 1
 - Record Expense Paid out of Reimbursement Account

Account Expense

Account: Reimbursement

Transaction Date: 04/01/2009

Amount: 50

Category: Meeting Space Rental

Allocate Equally Among Members [what's this?]

Remark: Paid by Grumpy

OK Cancel

Non Monthly Treasurer Tasks-Expenses

- Reimbursement-Step 1
 - Record Expense Paid out of Reimbursement Account

Account Expense

Account: Reimbursement

Transaction Date: 04/01/2009

Amount: 50

Category: Meeting Space Rental

Allocate Equally Among Members [what's this?]

Remark: Paid by Grumpy

OK Cancel

Non Monthly Treasurer Tasks-Expenses

Account Summary for 04/01/2009

Name	Last Updated	Cash Balance	Actions
Reimbursement	04/01/2009	0.00	edit transactions
TD Ameritrade	03/31/2009	2,136.27	edit transactions
		2,086.27	

Non Monthly Treasurer Tasks-Expenses

- Reimbursement-Step 2
- Payment Recorded for Grumpy into Reimbursement Account

Member Summary for 04/01/2009

Name	Units	Market Value	Percent	Actions
White Swan	534.781619	5,482.41	21.5%	edit transactions
Dac	276.479629	2,856.29	11.2%	edit transactions
Grumpy	138.1718648	1,434.48	5.6%	edit transactions
Grumpy	243.718648	2,437.19	9.6%	edit transactions
Hazy	571.600002	5,892.92	23.1%	edit transactions
Silver	713.214968	7,362.89	28.8%	edit transactions
	2,474.963448	25,515.57	100.0%	

Non Monthly Treasurer Tasks-Expenses

Member Payment

Member: Grumpy

Transaction Date: 04/01/2009

Member Valuation Date: 03/16/2009

Account: Reimbursement

Amount: 50

Remark: Reimburse Grumpy for Room Rental charge he paid

Non Monthly Treasurer Tasks-Expenses

Account Summary for 04/01/2009

Name	Last Updated	Cash Balance	Actions
Reimbursement	04/01/2009	0.00	edit transactions
TD Ameritrade	03/31/2009	2,136.27	edit transactions
		2,136.27	

Non Monthly Treasurer Tasks-Advance Payments

- Recommended
 - Give members immediate credit for the deposit
 - Why?
 - Money available immediately for investment

Non Monthly Treasurer Tasks-Advance Payments

Otherwise,

- Create "Advanced Payments" account
- Record deposit as a transfer from advanced payments to broker
- Keeps brokerage cash correct
- "Advanced Payments" account has negative balance
- Each month, record member monthly payment as being deposited into "Advanced Payments" account

Non Monthly Treasurer Tasks



Thank You!

Non Monthly Treasurer Tasks

Questions?