

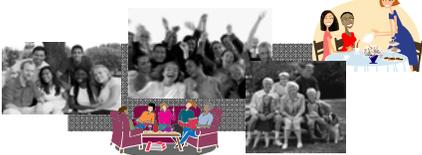
Simplifying Your Club Accounting

Suggestions



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

One of your friends at
bivio



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↓



One Minute Treasurer™

Focus on Investing
Not Accounting



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



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



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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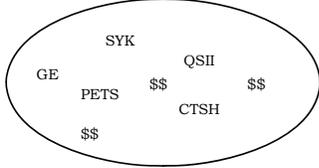
Partnership Accounting

Unit Based Accounting



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Pool of Assets



Total Club Asset Value Changes Daily



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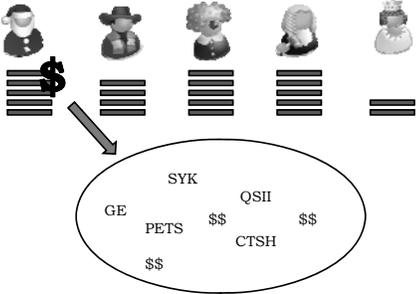
But,

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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Operating Your Club in Ways that Let You Keep Your Club Accounting Simple

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How to be a One Minute Treasurer.....

- Equality
- Setting Up Your Club Accounting
- Data Entry
- Monthly Tasks
- Expenses
- Investments
- Taxes
- Getting Help

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How to be a One Minute Treasurer.....

Equality

- Don't Define Equal Members of an Investment Club by their Investment Amount
 - Why?
 - Because you are using unit based accounting
 - Because everything is allocated to each member based on percent ownership at the point in time a transaction occurs. Unless payments are received and recorded for exactly the same amounts on exactly the same days, the treasurer will have to do more than just enter transactions.
 - Chase down payments
 - Use temporary accounts to hold payments until they are "officially" received
 - Life happens
 - New Member can never be "equal"
 - Equal should be defined in terms of participation in club activities, not money
 - Some members may not be able to afford what others can but that doesn't mean they are not a valuable, contributing member of the club
 - A computer is doing all calculations so there is no benefit of this being "simpler"

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How to Be a One Minute Treasurer

Accounting Setup

- Use bivio for your club accounting
 - Why?
 - Simple to Use
 - Cost Effective
 - One, low yearly price. No extra charges
 - Online Access
 - All club members can find out club information themselves
 - bivio Support
 - Provided by BI Club treasurers and Chapter directors. They answer your questions with answers they'd like to receive themselves

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How to Be a One Minute Treasurer

Accounting Setup

- Use only one account. Choose a broker that provides check writing services
 - Why?
 - Only one account to balance and track
 - Minimizes number of transactions -No transfers to account for
 - May save on Account Fees

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How to be a One Minute Treasurer.....

Accounting Setup

- Use brokers which are supported by AccountSync
 - BUYandHOLD
 - Charles Schwab
 - E*TRADE
 - Fidelity Investments
 - OptionsXpress
 - Scottrade
 - ShareBuilder
 - TD Ameritrade
 - UBS Financial Services Inc

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How to be a One Minute Treasurer.....

Accounting Setup

- Partnership Agreement
 - Payment Deposit Valuation Date
 - Same as Transaction Date
 - Why?
 - » Simplifies treasurers job
 - » Allows for automation of payment entry
 - Withdrawal Valuation Date
 - 2 Days before Monthly Meeting finalizing payout
 - Why?
 - » So payout amounts are timely
 - » Gives one day for treasurer to prepare reports for meeting

How to be a One Minute Treasurer.....

Accounting Setup

- Partnership Agreement Cont...
 - Withdrawal fees
 - Only charge actual expenses or
 - Graduated scale based on time in club
 - Why?
 - Life happens. Members shouldn't be penalized to access their funds
 - Withdrawal paid as close to Withdrawal Valuation Date as possible. No later than 20 days later
 - Why?
 - Member belongs to club till payment is made. Allocations for transactions based on percent ownership and club valuation being affected
 - Stocks transferred reflect amount determined on valuation date
 - If the payoff goes into the next year, there will be tax implications for the current year and the next

How to be a One Minute Treasurer.....

Data Entry

- Have members mail their payments to your brokerage directly
 - Why?
 - Eliminates a step. Members may be able to setup recurring electronic payments so you can count on receiving them in your club account on a certain date
 - Members should have responsibility for making sure checks are deposited, not treasurer

How to be a One Minute Treasurer.....

Data Entry

- Let bivio enter your transactions automatically
 - Why?
 - No Typos!
 - Quicker Reconciliation
 - Alerts when bivio and brokerage cash balances disagree

How to be a One Minute Treasurer.....

Data Entry-Example, Dividend Received

AccountSync Summary for HI Ho, TD Ameritrade 03/18/2009

Automatic Transactions

The following transactions were imported automatically and require no further action:

03/17/2009
Cash distribution FDS, QUALIFIED DIVIDEND
Amount: \$ 14.40

This message from BIVIO was sent on behalf of a bivio user. If you have received this message in error, we apologize for any inconvenience. Please email support@bivio.com and we will remove your email address from our database.

03/17/2009	account_sync	Dividend, FactSet Research Systems Inc (FDS) QUALIFIED DIVIDEND	14.40	3,342.95	acc	<input type="checkbox"/>
03/10/2009	account_sync	Dividend, Jack Henry & Associates Inc (JAHY) QUALIFIED DIVIDEND	12.75	3,328.55	acc	<input type="checkbox"/>
03/09/2009	account_sync	Purchased 50 shares Quality Systems Inc (QSI) at 34.2 per share, 9.99 commission	(1,719.99)	3,315.80	acc	<input type="checkbox"/>

How to be a One Minute Treasurer.....

Data Entry

- Use the penny identification system for payments
- Why?
 - So you know whose is whose
 - AccountSync will "learn" which amounts belong to which club member and suggest that as the entry you want to make

02/23/2009	account_sync	Identity Credit, TD Ameritrade	100.04	4,960.63		
02/23/2009	account_sync	Identity Credit, TD Ameritrade	50.03	4,860.59		
02/23/2009	account_sync	Identity Credit, TD Ameritrade	50.02	4,810.56		

How to be a One Minute Treasurer.....

Enter Member Payments

Transaction Date: 12/22/08

Amount: 200.00

Name	Amount	Member Specific Remark
Snow White		
Doc	100.04	
Dopey		
Grumpy	50.02	
Happy	50.00	
Sloopy		
Total	200.06	200.00

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How to be a One Minute Treasurer.....

Data Entry

- Let the Transaction Date=Valuation Date for Member Payments
- Why?
 - Simpler for Treasurer
 - Single Valuation Date Originated Before Computerized Accounting
 - Money put to work as soon as it is received

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How to be a One Minute Treasurer.....

Monthly

- Reconcile your books at the end of each month.
 - Cash and security shares should match exactly!
 - Members should review and confirm member payments
 - Members should review income, expense and securities transactions
- Why?
 - Computers are good but not perfect!
 - Reconciliation goes quickly if done once a month
 - Tedious if longer time periods involved
 - Unless you know all entries are correct, all subsequent entries may be wrong.
 - Withdrawals may be wrong
 - Expenses may not be allocated correctly
 - Member shares are not being accounted for correctly
 - Taxes may be incorrect

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How to be a One Minute Treasurer.....

Monthly

- Reconciliation Process

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How to be a One Minute Treasurer.....

Verify Cash

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How to be a One Minute Treasurer.....

Verify Number of Shares of Stock

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How to be a One Minute Treasurer.....
Verify Member Payments

Member Status

Report Date: 03/31/2009 Show Payments Since: 02/28/2009

Name	Paid Since	Total Paid	Tax Basis	Units Since	Units	Market Value	Percent
White, Snow	25.01	6,437.83	6,450.67	2,637,444	531,796,098	5,320.98	21.5%
Doc	100.04	3,752.38	3,590.51	19,572,749	276,555,315	2,767.12	11.2%
Dopey	200.07	1,635.84	1,541.99	21,144,441	139,305,123	1,383.83	5.6%
Grumpy	50.02	3,481.94	3,248.11	5,274,889	243,745,006	2,438.83	9.9%
Happy	25.03	6,989.44	7,003.29	2,645,301	571,621,616	5,719.46	23.1%
Sleepy	50.05	8,839.30	8,894.67	5,289,545	713,248,334	7,136.53	28.9%
	450.22	31,056.73	30,729.24	47,564,368	2,475,272,092	24,766.75	100.0%

1 unit = \$ 10,000.00

How to be a One Minute Treasurer.....
Verify Monthly Transactions

Transaction History

02/28/2009 to 03/31/2009

Cash Accounts - Income and Expenses

Investment Purchases, Sales, and Transfers

Investment Distributions - Cash and Reinvested

Investment Splits, Spin-offs and Mergers

Member Contributions and Withdrawals

How to be a One Minute Treasurer.....
Monthly

- Don't try to demand that everyone invest every month. Don't hassle with "late fees" or penalties
 - If members aren't participating, no amount of fees or punishment will make them do so
 - If they don't want to participate in the club, they should resign
 - Trying to force someone to "behave" will drain positive energy from your club's operations

How to be a One Minute Treasurer.....
Monthly

- Use Club Email System to Have Members Check Treasurers Reports Online Before Meeting
- Online Reports mean no printing. All members can access from their personal computers

How to be a One Minute Treasurer.....
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

How to be a One Minute Treasurer.....
Expenses

- Do not enter non-deductible expenses in your club books
 - Why?
 - Again, you are not running a check register, you are accounting for an investment partnership
 - These expenses can create extra work for the treasurer with no benefit to the club

How to be a One Minute Treasurer.....

Expenses

- Reimburse members who pay club expenses with units, not cash
 - Why?
 - No Net change in cash available
 - 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.

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How to be a One Minute Treasurer.....

Investments

- Invest in Stocks
 - Why?
 - Accounting and Tax program setup to handle them easily

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How to be a One Minute Treasurer.....

Investments

- MLP's, PTP's
 - Stay Away!
 - Why?



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How to be a One Minute Treasurer.....



April 2009

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How to be a One Minute Treasurer.....

Energy Investors Partner Up

Unsure about the price of oil, some investors see master limited partnerships as a way into energy.

.....Savvy portfolio managers, however, have been increasingly drawn to a much overlooked way of investing in energy without worrying about the price of oil and enjoying a fat dividend to boot: master limited partnerships, or MLPs.

More specifically, it's pipeline MLPs that provide the most bang for your buck.the firms are paid through contracts based on how much oil they move, not whether a barrel costs \$ 147 or \$47. That translates into a steady stream of cash, creating "double the income and growth with a lot less risk" than other income-producing investments.

.....Over the past five years, MLPs have trounced the S&P 500, with the 50 largest partnerships gaining 25 percent as the broad market fell 19 percent.

Perhaps the most intriguing aspect of MLPs is the way they're structured. Because they're partnerships, not corporations, they pay out most of their cash to shareholders—and lately that means yields of 4 to 9 percent.

With Treasury bond yields at their lowest levels in years and companies slashing dividends at the fastest pace in 50 years, these pipeline partnerships stand out, says John Cusick, Oppenheimer's MLP analyst.....

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How to be a One Minute Treasurer.....

Those big payouts do present some tax headaches.

Because the distribution isn't technically a dividend—it's considered "return on capital"—about 20 percent of it is taxed as regular income, and not at the lower 15 percent rate usually applied to dividends. (The remainder is not taxed until the shares are sold.)

.....Plus, shareholders must pay taxes in all states the pipelines cross, meaning lots of forms.

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How to be a One Minute Treasurer.....

So if your club owned this:
It would have to file taxes in all those states

AND

Each member of your club would have to file taxes in all those states

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How to be a One Minute Treasurer.....

Taken From An Actual Support Response to a Club that Had Invested in an MLP

I suggest that you give a copy of the following to each club member (including those who withdrew during 2008):

.....

(d) A statement that the member K-1's are incomplete. An appropriate portion of the Enbridge tax information should be reported on each member's individual tax return, but properly allocating that information via the member K-1 is something you do not know how to do (and that none of the club account software supports). You should also point out the part of Ira's email indicating that the club and every member may need to file a state tax return in each of the 19 states identified in the Enbridge tax information and that this too is something you do not know how to do.

You should have the club vote on hiring a qualified tax professional to address the issues you can't handle. If that is not approved, you could insist that someone other than you sign the club tax return. And, of course, insist that the club sell Enbridge.

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How to be a One Minute Treasurer.....

Investments

- REIT's
 - Stay Away
 - <http://www.betterinvesting.org/NR/exeres/4895FEFA-F9D4-416F-BF73-895185BFBC1E.htm>
 - Treasurers list discussion of REIT Entry Jan 2009
 - Treasurers list discussion of entering K-1 info 3/3/2009
- Mutual funds and ETF's
 - More accounting work at tax time
 - Split yearly dividend entries into qualified/non qualified dividends
 - Possibly Return of Capital adjustments to club records
 - Dividends received in January are reported on previous year 1099's
 - Need to change date
 - May affect previous year's transactions

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How to be a One Minute Treasurer.....

Investments

- DRIP's
 - Not recommended
 - No longer a way to beat high commissions
 - Investing should be done with a deliberate decision, not automatically
 - Each small drip investment will need to be tracked as a separate purchase
 - May have to be separately handled if a reorganization occurs
 - Automatic purchases increase the possibility of a wash sale occurring

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How to be a One Minute Treasurer.....

Investments

- Reorganization (split, merger, spin-off etc)
 - Unavoidable
 - bivio AccountSync will make the necessary accounting entries

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How to be a One Minute Treasurer.....

Example:
2008
Teva-Barr Merger

Example 1
Assume a holder of 100 BBL shares with a tax basis of \$1000
The holder receives 62.72 Teva ADNs plus \$39.99 cash for each BBL share he held
In this example, the holder receives:
• 62.72 Teva ADNs @ \$67.72 per share = 100 ADNs
• \$39.99 in cash (100 shares x \$39.99 per ADN)

The fair market value of each Teva ADN received is \$42.39. This is the average of the high and low sales prices of Teva ADNs on the date of the closing of the merger (December 31, 2008). In this example, the fair market value of the Teva ADNs is \$2,618.70 (62.72 ADNs x \$42.39 per ADN).

Gain Realized:	Fair Market Value of ADS	Cash	Barr Basis	Cash Received			
	\$2618.70	=	\$3999	=	\$1000	=	\$1618.70

Gain Recognized:	Cash Received	Cash Realized	Cash Recognized
Less withdrawal amount (cash received or gain realized)	\$3999	\$1749.48	\$3999

Aggregate Basis:	Barr Basis	Cash Recognized	Cash Received	Aggregate Basis			
	\$1000	=	\$3999	=	\$3999	=	\$1000

Per ADN Basis:	Aggregate Basis/Number of ADS	Per ADN Basis	
	\$1000/62.72	=	\$15.94

The holder's tax basis in his 62.72 fractional ADNs is \$11.48 (\$15.94 x 0.72)

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How to be a One Minute Treasurer.....

Account For Member Ownership Correctly

- Money Contributed
 - Record as Member Payment
 - Why?
 - All contributions buy ownership in the club
 - Each member receives the full benefit of their contribution
 - Any cash in the club is available for investing or club expenses
- Member Withdrawal
 - Use Withdrawal Form
 - Do Not Just Write A Check
 - Why?
 - The members units must be removed from the club records to remove his "ownership" in the club
 - A member withdrawal is similar to selling shares of stock. It has tax consequences to the individual member
 - The value of the units he receives minus his basis in the club will determine the amount of capital gain or loss he will have to account for on his personal income tax. This needs to be calculated and reported to him correctly
 - Until you through the withdrawal "process", the person is still a member of your club

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How to be a One Minute Treasurer.....

Taxes

- Generate Tax forms online
 - Members Access K-1's Online

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How to be a One Minute Treasurer.....

General

- Benefits of Using an Online Program
 - No daily data backups required
 - Performed by bivio
 - No worries about loosing data due to a hard drive crash
 - No problems with switching computers
 - bivio security controls exceed those on your personal computer
 - No issues with the type of computer hardware you use. Mac vs. PC
 - Several people can help maintain your club's records from different locations
 - Software always up to date

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How to be a One Minute Treasurer.....

- Ask Questions
 - A One Minute Treasurer knows it's a lot easier to fix something before you write a check than after

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A One Minute Treasurer™

Would rather be learning investing than accounting

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A One Minute Treasurer....™

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Performance Dashboard
Compare your performance against another security.
Security: BNBK [Date Range: 01/01/2008 - 12/31/2008] Generate

	IRR	Portfolio Value
Hi Ho	-28.7%	24,653.38
Berkshire Hathaway of B (BNBK)	-30.6%	23,921.48

Transaction Date	Description	Investments	Returns	BNBK Shares
01-01-2008	BNBK beginning market value	38,883.17		8.4033
01-08-2008	member contributions	400.21	0.0000	
02-08-2008	member contributions	500.22	0.1127	
03-08-2008	member contributions	70.00	0.0000	
03-04-2008	member contributions	100.00	0.0219	
03-31-2008	member contributions	400.22	0.0000	
04-30-2008	member contributions	400.22	0.0007	
06-02-2008	member contributions	500.19	0.1138	
07-10-2008	member contributions	400.22	0.1007	
08-18-2008	member contributions	400.22	0.1000	
09-30-2008	member contributions	325.19	0.0763	
10-24-2008	member contributions	200.15	0.0674	
11-14-2008	member withdrawal		6,803.72 (2,340)	
11-17-2008	member contributions	300.19	0.1115	
12-16-2008	member contributions	500.22	0.1002	
12-31-2008	BNBK ending market value		23,921.48	
		43,120.48	30,855.20	7.4429

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A One Minute Treasurer...™



Thank You!

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Questions?

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