

## Valuation Dates



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## Questions

- What is a Valuation Date?
  - Is it the date you prepare the reports you show at your club meeting?
  - the date you reconcile your club records?
  - the date of your meeting?
  - the date you determine how much a member who withdraws is owed?
- How is a valuation date determined?
- Can it change each month?
- Is a club only supposed to have one valuation date a month?

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When you registered, I asked you what you wanted to learn about Valuation Dates. These are the types of responses I received. These are the things we will be talking about today.

- What is a Valuation Date?
  - Is it the date you prepare the reports you show at your club meeting?
  - the date you reconcile your club records?
  - the date of your meeting?
  - the date you determine how much a member who withdraws is owed?
- How is a valuation date determined?
- Can it change each month?
- Is a club only supposed to have one valuation date a month?

## Valuation Date

### Definition

| November 2009 |    |    |    |    |    |    |
|---------------|----|----|----|----|----|----|
| S             | M  | T  | W  | T  | F  | S  |
| 1             | 2  | 3  | 4  | 5  | 6  | 7  |
| 8             | 9  | 10 | 11 | 12 | 13 | 14 |
| 15            | 16 | 17 | 18 | 19 | 20 | 21 |
| 22            | 23 | 24 | 25 | 26 | 27 | 28 |
| 29            | 30 | 1  | 2  | 3  | 4  | 5  |
| 6             | 7  | 8  | 9  | 10 | 11 | 12 |

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Because club assets usually include stock, your club's value will change daily. Valuation date refers to a point in time on which your treasurer calculates the value of your assets. He does this because he needs it to conduct some type of club business.

All club members need to agree and understand what date or dates are being used. They will be specified in your club partnership agreement and/or by laws.

### Types of Club Business It Is Used For

- Tracking Club Ownership
  - Units
    - Member's units/Total units in club=percent ownership
  - Member Payment Valuation Date
    - Payment/value of unit on valuation date=number of units purchased
  - Member Withdrawal Valuation Date
    - (#units ) x (Value of unit on withdrawal valuation date)  
= \$ owed to member
- Reconcile Financial Accounts
- Portfolio Decision Making
  - What should you buy or sell?

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What types of Club business is it used for?

#### Tracking club ownership

Investment club accounting tracks member ownership using units, which are like shares in your club. Like a share in a mutual fund, a unit's value changes daily. When a member makes a payment he is credited with units of club ownership Units are used to calculate the percent of the club assets which you own.

#### Member payments-

Your club will need to agree on the date or dates that will be used to price units purchased by each months member payments. Payment/value of unit on valuation date=number of units purchased

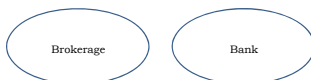
When a member withdraws, his units are cashed out. Your club will need to decide a date that will be used to value the units he owns.

$(\#units) \times (\text{Value of unit on withdrawal valuation date}) = \$ \text{ owed to member}$

When you are reconciling your financial statements with your club accounting records you will need to use a valuation statement so that you can compare them on the same date. Your financial statement reflects a single point in time. Club records should agree with it.

When you are making portfolio decisions, you will want to look at the current value of your investments to make buy and sell decisions.

#### Your Club's Financial Account(s)

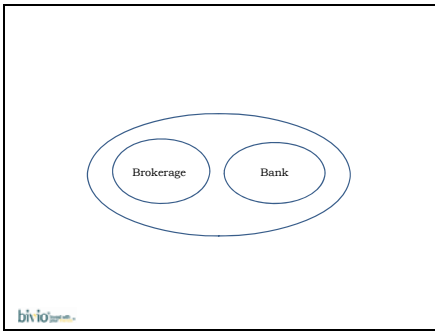


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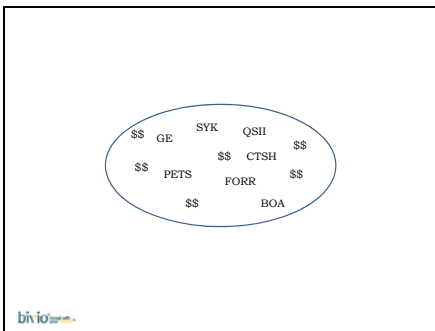
To handle your clubs finances, you will have a brokerage account and you may have a bank account



You will see them listed in your club accounting software. In order to be able to reconcile your accounts each month, transactions are tracked in the account they occur in.



But in terms of your club accounting you have one, combined, pool of investment assets.



Late Each evening, after the markets close and all closing price data has been confirmed your stock prices are updated. The value of each of your investments is added to any cash in your accounts to calculate the total value of all the assets your club owns. This is called your club Valuation. It will change daily.

Valuation Report for 10/24/2020

Viewing Report for account with ID: 10000000

| Stock Name                                | Cost Basis per Share | Total Cost Basis | Price per Share | Market Value    | Unrealized Gain/Loss | Percent of Total |
|---|----------------------|------------------|-----------------|-----------------|----------------------|------------------|
| Corporate Membership Services Corp (CSCS) | 100.0000             | 100.0000         | 1.0000          | 100.0000        | 0.0000               | 0.1%             |
| Equifax (EFX)                             | 100.0000             | 100.0000         | 100.0000        | 100.0000        | 0.0000               | 0.1%             |
| Applied Materials (AMAT)                  | 100.0000             | 100.0000         | 100.0000        | 100.0000        | 0.0000               | 0.1%             |
| Costco Wholesale (COST)                   | 100.0000             | 100.0000         | 100.0000        | 100.0000        | 0.0000               | 0.1%             |
| Amazon.com (AMZN)                         | 100.0000             | 100.0000         | 100.0000        | 100.0000        | 0.0000               | 0.1%             |
| Netflix (NFLX)                            | 100.0000             | 100.0000         | 100.0000        | 100.0000        | 0.0000               | 0.1%             |
| Microsoft (MSFT)                          | 100.0000             | 100.0000         | 100.0000        | 100.0000        | 0.0000               | 0.1%             |
| BlackBerry (BB)                           | 100.0000             | 100.0000         | 100.0000        | 100.0000        | 0.0000               | 0.1%             |
| Market Data (MKT)                         | 100.0000             | 100.0000         | 100.0000        | 100.0000        | 0.0000               | 0.1%             |
| <b>Total</b>                              | <b>100.0000</b>      | <b>100.0000</b>  | <b>100.0000</b> | <b>100.0000</b> | <b>0.0000</b>        | <b>100.0%</b>    |

Equity Account

| Equity Name  | Total Cost Basis | Market Value  | Unrealized Gain/Loss | Percent of Total |
|--------------|------------------|---------------|----------------------|------------------|
| Cash         | 100.00           | 100.00        | 0.00                 | 0.1%             |
| Stocks       | 0.00             | 0.00          | 0.00                 | 0.0%             |
| <b>Total</b> | <b>100.00</b>    | <b>100.00</b> | <b>0.00</b>          | <b>100.0%</b>    |

Total Securities and Cash Accounts: 100.0000 / 100.0000 / 0.0000 / 100.0%

Report generated on 10/24/2020 at 10:00 AM. Total of 100.00. © 2020 Bivio

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It is reported on a valuation report.

As you can see, your total club assets consist of any cash in your accounts plus the value of each stock holding you have. Stocks are valued once each day, late in the evening after the markets close and all closing price data has been confirmed.

### Producing an Accurate Valuation

- Reconciled records
  - All Transactions entered and verified
- Stock prices updated
- Valuation reports shown on a club meeting date

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It is important that a valuation report be accurate. To ensure this, two things must be up to date. First, details of all financial transactions that have occurred up to and including the valuation date must have been entered and verified and second, closing prices for the stocks in your club portfolio must be up to date.

Note that it is almost impossible to produce a totally accurate valuation report on the date of your club meeting. Closing stock prices are not confirmed and released until late in the evening after most club meetings are over. This does not mean you cannot use your club meeting date as a valuation date. It just means that the reports you look at at the meeting should be considered preliminary and any reported amounts should be considered subject to change.

### How Valuations Were Calculated Historically

- Once a month
    - Enter transactions from statements
    - Update prices from newspaper
- Producing it was cumbersome  
Once a month was enough

| November 2009 |    |    |    |    | December 2009 |    |    |    |    |    |    |    |    |
|---------------|----|----|----|----|---------------|----|----|----|----|----|----|----|----|
| S             | M  | T  | W  | T  | F             | S  | S  | M  | T  | W  | T  | F  | S  |
| 25            | 26 | 27 | 28 | 29 | 30            | 1  | 1  | 2  | 3  | 4  | 5  |    |    |
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| 15            | 16 | 17 | 18 | 19 | 20            | 21 | 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 22            | 23 | 24 | 25 | 26 | 27            | 28 | 27 | 28 | 29 | 30 | 31 | 1  | 2  |
| 29            | 30 |    |    |    |               |    | 3  | 4  | 5  | 6  | 7  | 8  | 9  |

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In the days before computers, a club treasurer had to wait for a monthly brokerage and/or bank statement to enter monthly transactions and then find closing stock prices (probably in the newspaper), to prepare a valuation report. This was enough work that a once a month valuation was sufficient for most clubs.

Valuations were probably often produced as of the end of the month, to agree with the dates of the financial statements which provided monthly transaction information. This meant that by the time a club met, the information could be fairly old, especially for using to make portfolio decisions. Since member payments were typically received and deposited after a meeting, it could also mean that members could be buying units that were valued significantly differently than they were on the actual day of deposit. A member would have an instant gain or loss on his investment in the club.

But, the valuation was applied consistently to all member deposits that occurred during the month, so, at the end of the month, if each member had contributed the same amount, he would have received the same number of units of ownership. If, in addition, all the deposits were made on exactly the same date, all members would also be equal in terms of rate of return on their investment and any allocations of income and expenses which were done during the month.

Unfortunately, over any length of time, it is highly unlikely that club members will all be able to contribute exactly the same amount at exactly the same time, month after month after month, year after year. That is why all clubs are told not to think they will operate with every member remaining "equal". It's just about impossible and it doesn't matter to have an effective investment club.

The reason for unit based accounting is to allow for the inevitable variations which will occur in member contributions and withdrawals.

## *21<sup>st</sup> Century Valuation Calculations*

- Daily
  - Transactions entered automatically into accounting
  - Prices updated automatically from internet
- Club business can be conducted using more up to date information
- Clubs can easily have different Valuation Dates for different types of Club business
- Eliminates big discrepancies between reports being reviewed and business being conducted

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Now, using the internet, stock prices can be updated automatically daily and transaction information is also available online daily. It can even be automatically entered in your club accounting. This allows your treasurer to easily prepare a valuation report and allows you to use different valuation dates for different types of club business. You may decide to do that so that your business can be conducted using information that more accurately represents your club's status at the time the business is conducted.

You may choose to have a single, official valuation date for member payments and withdrawals but you also have the option to value them as of the date of the transaction.

Even when clubs choose to use a single valuation date, they often choose one that is close to their meeting date so that their club business decisions are done using up to date information. If transactions are being automatically entered in your club accounting, your treasurer will have very little to do to produce you an up to the date report at any time.

## *How to Pick a Valuation Date*

- Is there a "wrong" choice of valuation dates?
- No, as long as everyone understands how your club is operating and you consistently apply the agreed to rules.
- If you don't know what to decide, use the recommendations of your club accounting software suppliers.

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Your club is free to establish whatever valuation dates will work best for your operations. The most important thing is that they be clearly defined and specified in your partnership agreement and everyone in your club understands them.

You can decide what valuation dates to use by considering the purpose of the valuation and the tools your treasurer has available. Some clubs may be comfortable with only one valuation date per month, others may prefer to make use of the flexibility provided by automated updating to choose valuation dates more closely related to the business being transacted. Most important is that your club is consistent on the date or dates it is going to use for valuations and that you make sure your club records are accurate and up to date before you use them to conduct any club business.

If you don't know what to decide, use the recommendations of your club accounting suppliers.

## Valuation Date versus Transaction Date

- Valuation Date
  - Establishes a value for club assets
- Transaction Date
  - Date the business is actually transacted and club records change
    - Member ownership percentages change
    - Member is withdrawn from club

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There is an important difference between a valuation date and a transaction date. A valuation date establishes an official value for your club assets. It is not the date the business is transacted and your club accounts change. For example, member ownership percentages change or a member is withdrawn from your club

Many clubs assume that if they have one valuation date each month and all members make the same payments that they will all be “equal”. However, if two member deposit transactions for the same amount are made on two different dates the members will have different rates of return on their investment even though they have received the same number of units. In addition, in investment club accounting, allocations of income and expenses are done on a daily basis. If any sort of taxable transaction such as a capital gain happens between two deposit transactions, it will be allocated based on the percentage of ownership at the time it occurs. Just because members receive the same number of units in a month doesn’t mean their accounts remain “equal”.

### Valuation Dates, Transaction Dates and Member Payments

|           |  |
|-----------|--|
| 1/5/2009  | Investing Activity - Dividend Rec.                     |
| 1/20/2009 | Investing Activity-Stock Purchase                      |
| 1/20/2009 | Investing Activity-Stock Purchase                      |
| 1/20/2009 | Member Ownership -Payment Received                     |
| 1/20/2009 | Member Ownership -Payment Received                     |
| 1/20/2009 | Member Ownership -Payment Received                     |
| 1/20/2009 | Member Ownership -Payment Received                     |
| 1/25/2009 | Investing Activity-Dividend Received                   |
| 1/27/2009 | Member Ownership -Payment Received                     |
| 1/31/2009 | Investing Activity-Dividend Received                   |
| 2/25/2009 | Member Ownership -Payment Received                     |
| 2/25/2009 | Member Ownership -Payment Received                     |
| 2/25/2009 | Member Ownership -Payment Received                     |
| 3/2/2009  | Investing Activity-Expense for Accounting Subscription |
| 3/3/2009  | Investing Activity-Dividend Received                   |
| 3/4/2009  | Member Ownership-Member Withdrawal                     |

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Here’s an example:

Suppose you have 5 members in your club and \$25 payments for 4 of them are made on January 20. The percentage of ownership of all 5 of the members will change. On 1/25 a \$100 dividend is received. It will be allocated based on those percentages of ownership. Suppose member 5 makes his \$25 deposit on 1/27. Again, the percentage of ownership of all 5 members will change. When an additional \$100 dividend is received on 1/31, it will be allocated based on different percentages than the one received on 1/20

This is OK. In fact it is probably inevitable. The accounting system is designed to handle the fact that people will make different contributions at different times.

The point is that having the same valuation date for everyone does not guarantee that everyone remains “equal”

### *Valuation Dates, Transaction Dates and Member Payments*

- If your treasurer has the tools
- Payment Valuation Date = Transaction date
- 1. If you want to keep everyone "equal" (not recommended)
  - a) Spend your efforts ensuring everyone makes payments at the same time in the same amounts
  - b) Club management issue
  - c) Don't expect treasurer to be able to make entries to adjust
  - d) Requiring electronic deposits may be a method to ensure consistent payments
- 2. If you want to allow flexibility in member contributions and amounts
  - a) Make sure this is not affecting your club operations
  - b) Stop worrying about everyone being "equal"
  - c) You have a club to learn about choosing stocks and managing a portfolio.
  - d) If you do well at that, over the long road, everyone's investment will increase.
  - e) Your club will be stronger because you will have allowed a bit of flexibility in your operations and your club treasurers job will be easier.

If your treasurer has the tools, we suggest you let the Payment Valuation Date = the Transaction date. This makes his job the simplest and allows for the potential of the automatic recording of payments.

If you insist on trying to keep everyone "equal" (which we do not recommend)

Spend your efforts ensuring everyone makes payments at the same time in the same amounts. This is a club management issue. It is not something that is easy for your treasurer to accomplish by the way he enters amounts in the club records.

One way to try and accomplish this is to require members make automatic payments to your brokerage account. They can be set up to arrive on a certain date and will arrive within 1 or 2 days of a target date.

If you want to allow flexibility in member contributions and amounts, make sure this is not affecting your club operations. Your club needs to know it will have regular funds available for investing.

Stop worrying about everyone being "equal"

You have a club to learn about choosing stocks and managing a portfolio. If you do well at that, over the long road, everyone's investment will increase.

Your club will be stronger because you will have allowed a bit of flexibility in your operations and your club treasurers job will not become cumbersome and overly complicated.



### *Valuation Dates, Transaction Dates and Withdrawals*

- Discourage Market timing
  - Valuation date chosen as valuation for meeting following meeting at which withdrawal request was submitted and approved
- Pay member as close to valuation date as possible
- Recommendation
  - Transfer securities within a day of the withdrawal valuation date
  - Cash within 10 days of withdrawal valuation date
- Reasons
  - Funds belong to member
  - Avoid confusion based on changing asset value
  - Gain/loss between valuation and transaction date is not born by the member to whom the assets are owed
  - Member is not withdrawn from the club until transaction date

There are two very important considerations when picking a valuation date for member withdrawals.

First, you should build in a little time lag between the time a request for withdrawal is received and a withdrawal is valued. The recommendation is to value a withdrawal approximately 1 month after the date it is accepted. In the Recommended partnership agreements, a withdrawal is valued just prior to the second meeting following the request to withdraw.

The second factor that is important is that the withdrawal transaction, the actual payment to the member, occur very close to the date of the valuation. The standard recommendation is that if he is being given stock, it should be transferred within a day of the withdrawal valuation date. Any cash owed should be paid within 10 days.

It is very bad practice to allow much time to pass between a withdrawal valuation date and the date the member receives their assets. Not only does the money belong to the member and he should have access to it in a fairly reasonable time frame, the more time that passes between a valuation and a payment, the more chance there is for asset values to be significantly different. What will the club do if the value of their portfolio drops significantly between the valuation date and the payoff date? They still have to make the same payout. And, because the withdrawing member isn't allocated any part of the loss subsequent to withdrawal, the remaining members are taking a double hit -- their own share of the loss plus their fractional share of the loss that would have been allocated to the withdrawing member. If there has been a gain or any income received, the remaining members will have received an extra share of the gain based on assets that weren't theirs. Finally, the member is not withdrawn from the club until the transaction date.

### What Valuation Date Does Your Club Use?

- A Specific Day of the Month-20.31%
- Examples:
  - End of Month
  - 1st of the month
  - 15th of the month
  - 25th of the month

When you registered, I asked you what valuation date or dates your club uses. The answers fell into 4 categories.

The first was those of you using a specific date of the month, regardless of your club meeting date. 20.31% of you fell into that category.

### What Valuation Date Does Your Club Use?

- Single Date-Relative to Meeting Date-45.31%
  - We use the Friday before our monthly meeting.
  - Sat. preceding the meeting
  - Friday before meeting on Wednesday
  - Last market closing date
  - The Friday closing before the next Monday monthly meeting.
  - The day before our second Tuesday of the month meeting
  - Friday before our 4th Monday of the month Meeting
  - Friday before the meeting
  - closing values date BEFORE club meeting
  - close of market the Friday before our meeting date,
  - the close of the market COB day before monthly meeting
  - last work day before monthly meeting
- My club use the meeting date as the valuation date
  - 17.24% of 45.31%

The second was those whose valuation was fixed in relation to their monthly meeting date. This was the biggest group 45.31%. These valuation dates were specified in relative terms such as “the Friday before our Meeting”, or “The day before our meeting”

17.24 percent of this group is using their meeting date as the valuation date. This is fine, as long as everyone understands that reports they are looking at on the day of the meeting contain figures from the previous date and should be considered preliminary.

### What Valuation Date Does Your Club Use?

- Valuation Date=Transaction Date 10.93%
- Examples
  - Date payments are deposited
  - transaction date current date
  - dates that money is deposited
  - Date dues are posted to account

This group (10.93%) is using the method bivio recommends which is to have the valuation date equal the transaction date it is a smaller percentage, both because the ability to do so has not been around as long and the comfort level with doing something that is a little different than the “traditional” recommendation has not been established yet. I would expect the size of this group to grow as people take further advantage of automatic data entry.

### What Valuation Date Does Your Club Use?

- Needs Improvement-23.43 %

- Nothing
- We don't currently use valuation
- Not yet implemented.
- Don't know
- Our club is very new, only a few months old. I am not sure how we use it.
- Not sure
- I don't know, I am not treasurer
- not sure if we do
- Not sure
- don't know what that means
- It varies
- date the report is prepared that must be within 3 days of the meeting
- Scottrade Statement

This group (23.43%) needs some improvement.

Anyone who answered nothing is just wrong. If you are entering payments, something is being used for your valuation date. You need to find out what it is.

If you don't know, I hope this presentation has helped you find out where to find the information or what questions to ask. All club members should have a basic understanding of the concept so that they can be comfortable their investments in the club are being tracked correctly.

It varies- It's OK to vary but it should be specified with a little more detail than this.

This specification is a bit better but still leaves open room for interpretation and possible manipulation of entries

Scottrade Statement-Your club accounting is what is being used to prepare your taxes and track your investments in your club. You should compare your valuation statement with your brokerage statement but you shouldn't use the brokerage statement alone.

## Single Versus Multiple Valuation Dates

- Monthly
  - Reasons
    - Transactions entered manually
    - Valuations need to be "created and saved"
    - Prices updated manually
    - Traditional recommendation
    - Need to give members paper copy of report before meeting
  - Considerations
    - All club members get the same number of units for the same dollar contribution. This often leads to misleading thinking.
      - Does not keep everyone "equal" Unless same amounts are deposited on same exact days, month after month after month, year after year
    - Unless transaction dates are identical
      - Rates of return will be different
      - Any taxable income, loss or expense in between deposits will be allocated differently
      - Member tax basis may be different (buy ins)
    - If using a system where valuations need to be saved, extra care must be exercised to make sure that the correct valuation is being used for recording payments and withdrawals if you have created any extra ones to look at the performance of your portfolio

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Let's talk a little more about Single versus multiple valuation dates.

### First, Monthly valuations

- Reasons you might be doing this
  - Transactions entered manually
  - Valuations need to be "created and saved"
  - Prices updated manually
  - Traditional recommendation
  - Need to give members paper copy of report before meeting
- Considerations
  - All club members get the same number of units for the same dollar contribution but that leads to misleading thinking:
    - As we have discussed, this does not keep everyone "equal" unless the same amounts are deposited on same exact days, month after month after month, year after year
  - Also, unless transaction dates are identical
    - Rates of return will be different
    - Any taxable income, loss or expense in between deposits will be allocated differently
    - Member tax basis may be different (buy ins)
  - If using a system where valuations need to be saved, extra care must be exercised to make sure that the correct valuation is being used for recording payments and withdrawals

### *Single Versus Multiple Valuation Dates*

- Multiple Dates
  - Payments credited when received
  - Units received reflect price when deposit is received.
  - More than one valuation easily available
    - Transactions entered automatically
    - Stock prices updated automatically
  - Less work for treasurer
  - Up to date information for portfolio management
  - Deposits can be required before the date of your meeting

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What are the advantages of using Multiple valuation Dates if your software supports that.

- Payments credited when received
- Units received reflect price when deposit is received therefore the gain and loss for your investment in your club is more accurate.
- Due to the Internet connection, more than one valuation easily available
  - Transactions entered automatically
  - Stock prices updated automatically
- Less work for treasurer. Automatic information means he only has do do a quick check to confirm records.
- Club can be looking at current value of club to make portfolio decisions at the club meeting
- Deposits can be required before the date of your meeting. That means that at your club meeting, you will know who is delinquent and also know you will have funds available for investing.

### *How Should Your Club Decide?*

- Understand the tools your treasurer has available
- What is your club comfortable with?
  - Make sure you understand that a single valuation date does not guarantee “equality”
  - Make sure you understand that a withdrawal should be valued and paid out within approximately 1 month of a withdrawal request being received
- Choose dates that allow your treasurer time to do his job before your club meeting but provide you with up to date information to base your club meeting decisions on

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Understand the tools your treasurer has available.

If your software requires manual updating or manual creation of valuations, it will probably be simplest for him to only have to create one a month

What is your club comfortable with? If your club has been operating a certain way for a long time, they may resist any changes. However, make sure everyone understands all the implications of how you have chosen to operate. If they are mistaken in thinking that a single valuation date somehow keeps everyone equal or your partnership agreement spells out more than a month between the time a withdrawal request is received and valued and paid out, you really should consider changing your partnership agreement.

Choose dates that allow your treasurer time to do his job before your club meeting but provide you with up to date information to base your club meeting decisions on

*Valuation Dates Cannot  
Overcome Club Management  
Issues*

- Keep treasurers job simple
- Investment Clubs need steady, stable source of funds for investing
  - Regular contributions, infrequent withdrawals
  - If your club allows irregular deposits, your treasurer can't use the fact that you have a single valuation date to keep everyone "equal"
- Investigate automatic deposits
- Delay valuation and payment of withdrawals approximately a month but no more.

Many of the issues that we have been talking about are club management issues, not accounting issues. For example,

You want to operate in a way that makes the treasurers job as simple as possible. Your club should be spending it's time learning about investing, not accounting. Follow the guidelines of the experts and you won't be faced with any difficult accounting challenges.

To run an effective investment club, you need to be able to count on a steady and stable source of funds for investing.

This means you want regular contributions and infrequent withdrawals.

If your club allows irregular deposits, your treasurer can't use the fact that you have a single valuation date to keep everyone "equal"

If you are concerned about this, you need to require a specific deposit date for member payments, perhaps by requiring members to make automatic deposits to your club brokerage account.

On the flip side, while a member should have the ability to withdraw funds from the club if needed, everyone should understand that this should be an infrequent occurrence. It is suggested that you not value a withdrawal until a month after the meeting where it is presented. Building in a bit of a delay helps to discourage any sort of market timing. If people withdrawing are disrupting your club operations too much, you have a management problem to deal with.

### *Where to Specify Valuation Dates*

- Partnership Agreement
  - Valuation Dates needed for Unit Transactions
    - Payments
    - Withdrawals
- Operating Procedures (Optional)
  - Valuation Dates Needed for Reconciliations
  - Valuation Dates to use for Portfolio Decisions

### Where do you specify your Valuation Dates?

- Partnership Agreement
  - Valuation Dates needed for Unit Transactions
    - Payments
    - Withdrawals
  - Operating Procedures (Optional)
    - Valuation Dates Needed for Reconciliations
    - Valuation Dates to use for Portfolio Decisions

### *Traditional Partnership Agreement Wording-One, Monthly Valuation Date*

#### 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

- Actual date can be specified here or in By laws (easier to change)

### Traditional Partnership Agreement Wording-One Monthly Valuation Date

#### 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

- Actual date can be specified here or in By laws (easier to change)

## Possible Partnership Agreement Wording-Multiple Valuation Dates

### 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") may be determined as necessary after the close of the stock market each business day.

The value of units received for member contributions will be determined by the value of the partnership as of the deposit date of the contribution in the club brokerage account (Payment valuation date).

Member withdrawals will be valued based on the value of the partnership 2 business days prior to the second club meeting following the date the withdrawal request is received. (Withdrawal valuation date).

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Also included in another section of the partnership agreement is that stock will be transferred within 1 day of the withdrawal valuation date and remaining cash owed will be paid within 10 days. As was said before, It is very bad practice to allow much time to pass between a withdrawal valuation date and the date the member receives their assets.

## Common Questions Related to Valuation Dates

- How come members own different #units/percentage of club? They all contributed the same total amount over the last 3 months.
- How come the amount I told a member they were going to receive doesn't agree with the amount the withdrawal report calculated?

Now that we've had this discussion, would anyone like to volunteer to answer these questions?



### *Bottom Line*

- If your club valuation dates are clearly called out in your partnership agreement, your treasurers job is simple and everyone in your club understands how you are operating whatever date or dates you are using are fine.
- Make sure there are no misunderstandings about everyone being equal if you are allowing different amounts of deposits on different days even if over the course of several months everyone makes the same contribution.
- Having one valuation date a month doesn't keep everyone equal.
- Take advantage of current technology to keep the treasurers job as simple as possible and your club efforts on learning to invest, not club management.
- There is a lot of history and study behind the recommendations that are given for valuation dates. If you don't know what to use, use the recommendations of your club accounting supplier.

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### *Homework*

- Go to your Partnership agreement and make sure you and everyone else in your club understand what you have agreed to use for valuation dates
- Double check that payments and withdrawals are being recorded using your club's agreed to valuation dates

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*Questions?*

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