

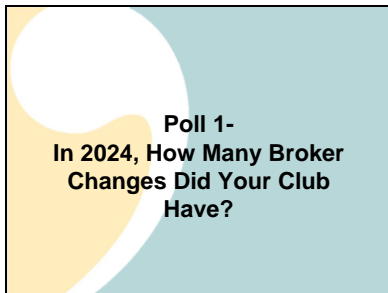
Slide 1



Slide 2

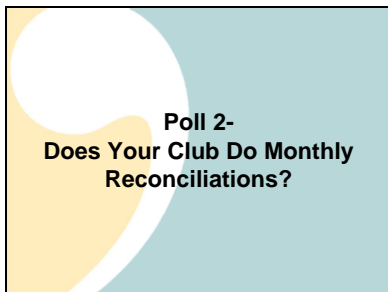


Slide 3



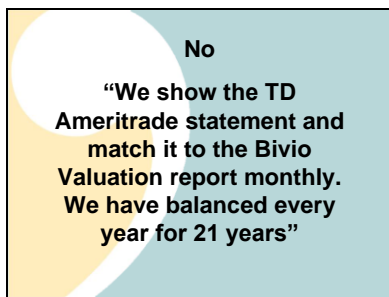
First, we have a Poll Question for you:
Many clubs changed brokers during 2024.
How many broker changes did your club have?

Slide 4



Now one more Poll:
Does your club reconcile your bivio and broker records every month?

Slide 5

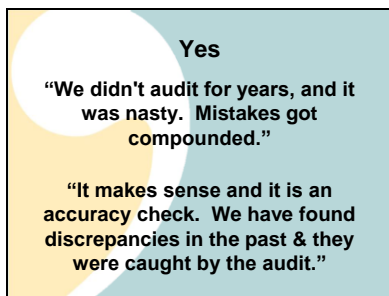


We asked clubs if they planned to do a club audit and why. Here are a few responses we received.

This first club answered “No”, they are not planning to do an Audit.

You might think that their reasoning sounds good since they do monthly reconciliations.

Slide 6



These two clubs answered “Yes”, they plan to do an audit.

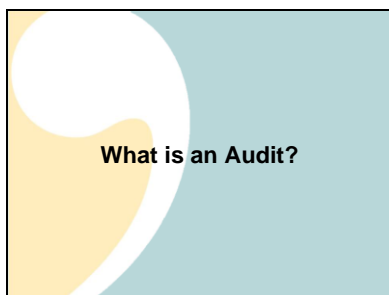
Here are their reasons.

I hope, once you've seen this webinar, that you will all see why the first club's reason for not doing an audit was faulty. Their monthly checks would have missed some important aspects of their accounting. By doing a comprehensive club audit you can avoid the mistakes the second club made. They learned the hard way.

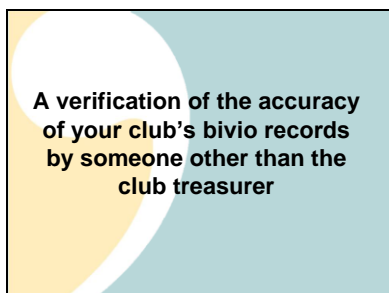
And, you know what?

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

Slide 7



Slide 8



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

Slide 9

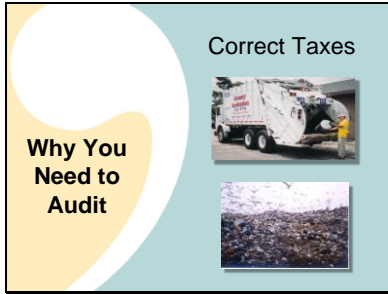


You do an audit for a variety of reasons.

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.

Slide 10



You want to make sure your taxes are prepared accurately.

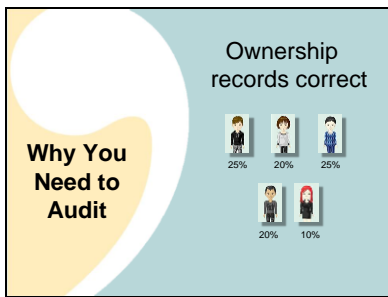
Since they are prepared from the data in bivio, you need to know that the data is right. Just because your bivio site shows a lot of numbers doesn't mean they're useful for anything. Without verification your taxes may just be

garbage in

garbage out

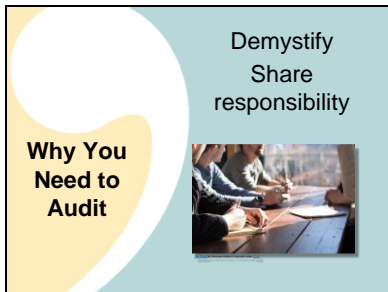
And, just a reminder that all of your club members will be held responsible if you don't file correct taxes.

Slide 11



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.

Slide 12

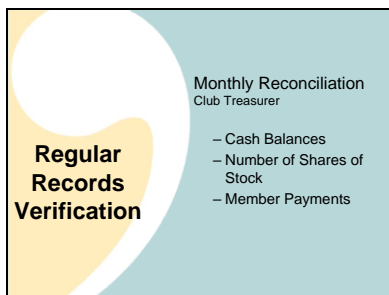


And finally, it's important to demystify your clubs finances

and spread the burden of making sure your club is keeping accurate records.

Your club treasurer has a big responsibility because your club has to comply with partnership tax requirements. Unlike your investing activities, the IRS is not as forgiving in terms of you being a novice doing so. It's important that every club member have a general understanding of what club accounting is about and what can and cannot be easily handled by your treasurer. The simpler your club finances, the simpler your audit will be. And there's no reason not to keep things simple.

Slide 13



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

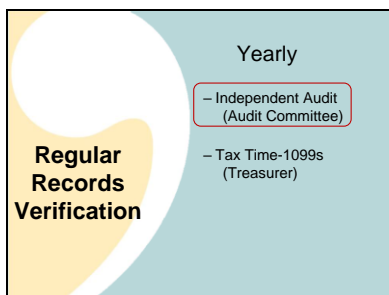
Each month, your club treasurer should do a monthly reconciliation. This should go very quickly. They just need to

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.

Slide 14



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 webinar will be getting into further details about what to look for on your 1099s.

Slide 15

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!

Slide 16

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)

Slide 17



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.

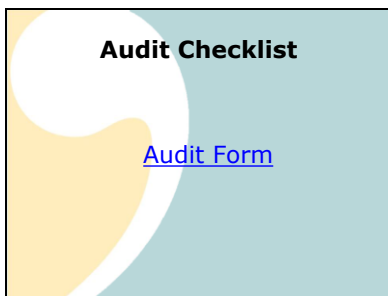
If they find any discrepancies, they will note them on the audit checklist. Auditors do not make corrections themselves.

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 the 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.

Slide 18



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 on page 2,

On page 3, it has a full list of the different records you'll need to collect to do the audit. Many clubs have changed brokers in 2024, so you need documents from each broker.

There are 7 audit steps. For each step it gives you a detailed description of what you need to be comparing. Today we will be going through all these steps in detail so you can see what needs to be done.

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

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

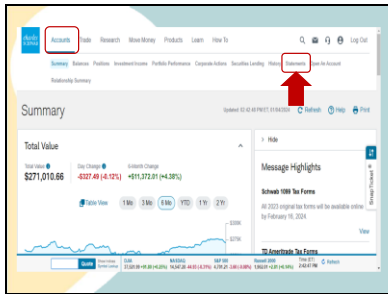
Your treasurer may be the person who is most familiar with both your financial institution records and with using bivio so they may need to help you find and gather this information.

Slide 20



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 are examples of some things you'll find there.

Slide 21



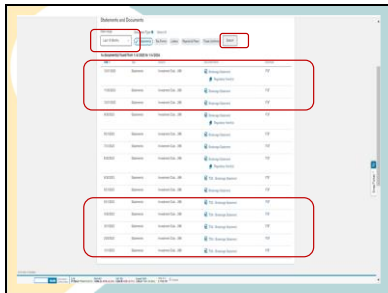
You will need your monthly broker statements. On the Schwab site you can find them by clicking on the

“Accounts” link.

Next select the “Statements” link.

Note that if your club uses a different broker than Schwab, 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.

Slide 22



The Statements link will take you to this page where you can download all of your monthly statements.

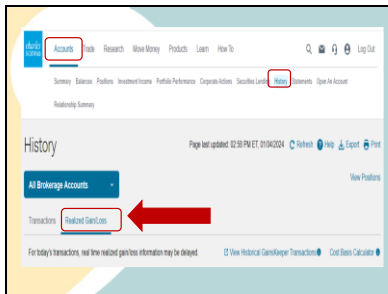
Make sure you change the Date Range to “Last 12 months”

and click on “Search”

to display all your club statements.

Note that your club's TD Ameritrade statements will be shown on this Schwab statement list if your club migrated during 2024.

Slide 23

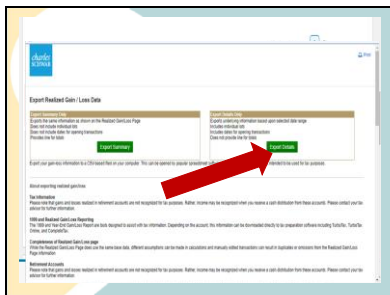


For Schwab, if you go back to the “Accounts” menu, you will see a link called

“History”

Once the “History” page opens, click on the “Realized Gain/Loss” link

Slide 24



Scroll down to see the “Realized Gain/Loss” summary information. This is your cost basis and capital gains for stocks your club has sold. It is important to get the lot details of the stocks sold. To find it on Schwab,

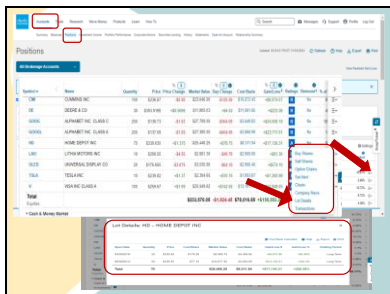
go back to the top of the page and

click on the “Export” link.

Then select “Export Details” to download a list showing cost basis and capital gains for each lot sold.

As we will see later, you will compare this list with the Capital Gains and Losses report in bivio to make sure your capital gains and losses will be reported on your taxes in the same way your broker will report them to the IRS. It’s very important that you know how to find this.

Slide 25



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

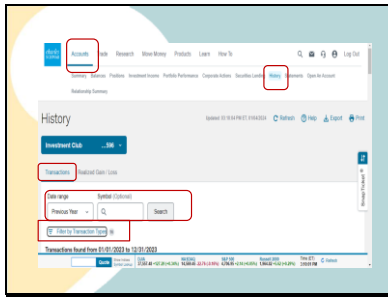
In Schwab, you find it by going to the ”Positions” tab. This summary page shows the stocks your club still owns. To see the cost basis details for each lot of each stock that was affected by the reorganization,

click on the down arrow on the far right of the stock to open up a menu.

Then click on “Lot Details”.

You will compare this detail to an “Investment Lot Cost Basis” report in bivio to see if you’ve recorded it as your broker has.

Slide 26



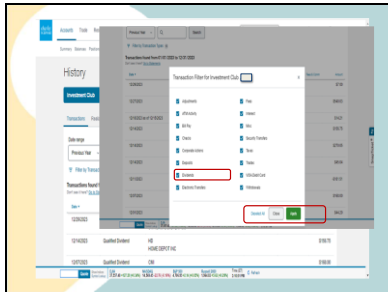
During your audit you'll be looking at specific types of transactions in bivio such as dividend payments. What's nice is that you can get lists of specific types of transactions at your brokerage website.

In this case, you find those by selecting the "History" link and then clicking on the "Transactions" tab.

Next change the "Date Range" to "Previous Year" and click on "Search" to see all club transactions for the year.

To see only "Dividend" transactions, click on the "Filter By Transaction Types".

Slide 27

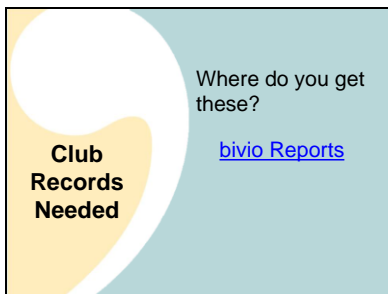


This opens a page where you can select lists of certain types of transactions. In this case you want a list of the dividends your club received, so at the bottom click on "Deselect All" and select "Apply". Next click on "Dividends" and "Apply" to see only your club dividend transactions.

You will be able to easily compare this list to some of the bivio reports as you do the audit.

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

Slide 28



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

bivio. I will show you those reports now. You go to Accounting>Reports & Charts

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 member withdrawals, at this link you can find reports showing the parameters you used to enter them.

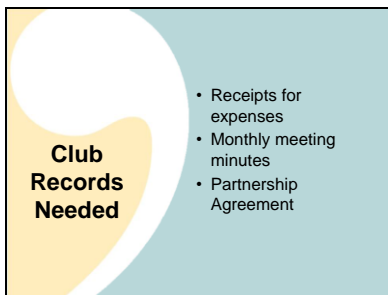
You will also find Transaction Lists, which give you the chronological list of transactions and a running balance. We use them all the time as they are very useful. You don't get to these from the Reports page, you get to them from your accounting pages. For example, if you go to Accounting>Accounts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

Slide 29



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

Slide 30



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

Slide 31

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

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.

Slide 32

Audit 2019	02/05/2020
File	01/10/2020
Step 1 - Valuation for EOY 2018.pdf	01/10/2020 42 KB
Step 2 - Valuation for EOY 2019.pdf	01/10/2020 41 KB
Step 3 - Interest & Dividends.pdf	01/10/2020 38 KB
Step 4 - Expenses.pdf	01/10/2020 36 KB
Step 5 - Capital Gains.pdf	01/10/2020 40 KB
Step 6 - Member contributions.pdf	01/10/2020 38 KB
File	02/05/2020
Step 1 - Valuation for EOY 2018.pdf	02/05/2020 70 KB
Step 2 - Valuation for EOY 2019.pdf	01/10/2020 68 KB
Step 3 - Interest & Dividends.pdf	01/10/2020 89 KB
Step 5 - Capital Gains.pdf	01/10/2020 224 KB
Step 6 - Deposits.pdf	01/10/2020 490 KB

First just a logistical note. Many clubs meet in person to complete the audit. Other clubs do an audit without physically getting together. They do the audit virtually by uploading the reports needed for the audit into the club’s Files area in bivio. As you can see here.

Club members can then 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.

Slide 33

Step 1 - Check end of year cash balances and number of shares-prior tax year

bivio Valuation report dated: 12/31/2019

Brokers statement 12/31/2019

Compare cash balance and number of shares of stock

Records Agree

Discrepancy Noted (Step Audit and resolve issues)

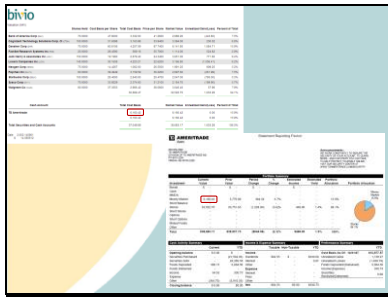
Description _____

Audited by _____

Your first audit 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.

Slide 34

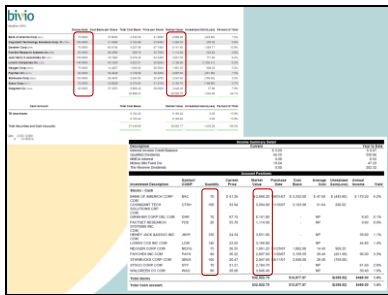


Here is an example of doing this comparison.

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

To what is shown on the broker's 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 2023.

Slide 35



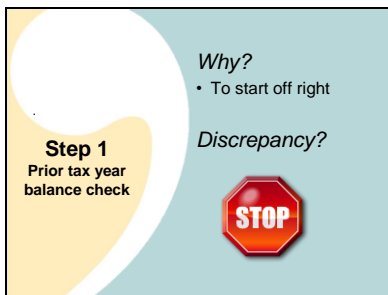
Next, you will compare the number of shares of each stock between

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.

Slide 36



This is a very important step.

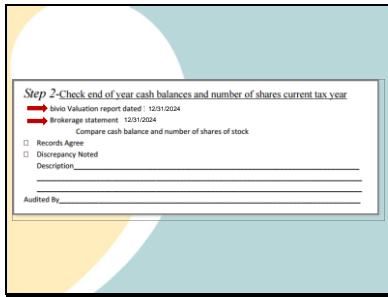
Why do we do this step?

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.

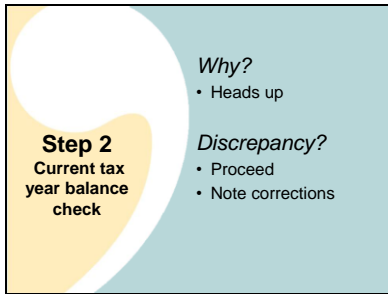
Slide 37



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 2024.

Slide 38



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.

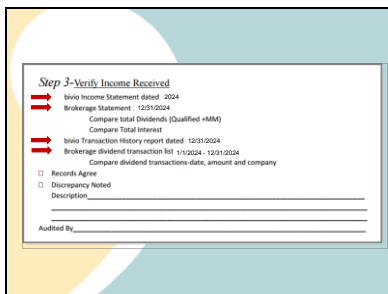
So for step 2, even if you find a discrepancy,

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.

Slide 39



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 Statement and a Transaction History report.

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

Slide 40

Step 3-Part 1

Da Demo Club
Income Statement

Income	
Qualified Dividend	
AT Lease Corp (AL)	12.00
Apple Inc (AAPL)	262.50
Conoco Phillips (COP)	66.00
Fidelity Co (FART)	13.04
Green Science (GSD)	9.46
Merrill Lynch Bussness Inc (MBO)	15.00
Microsoft Corp (MSFT)	15.71
T Board Price Group Inc (TBPG)	142.80
Total Qualified Dividend	685.51
Short Term Capital Gain	178.93
Long Term Capital Gain	685.97
Total Income	676.83

Interest and Dividend Summary	Month Ending	Year To Date
Interest Subst Par	34.50	51.00
Dividend Subst Par	645.37	1045.51
Total	679.87	1096.51

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 broker's statement. Make sure it is correctly identified in your bivio records.

Slide 41

Step 3-Part 2

Transaction	Date	Amount	Description
Qualified Dividend	01/15/10	12.00	AT Lease Corp (AL)
Qualified Dividend	01/15/10	262.50	Apple Inc (AAPL)
Qualified Dividend	01/15/10	66.00	Conoco Phillips (COP)
Qualified Dividend	01/15/10	13.04	Fidelity Co (FART)
Qualified Dividend	01/15/10	9.46	Green Science (GSD)
Qualified Dividend	01/15/10	15.00	Merrill Lynch Bussness Inc (MBO)
Qualified Dividend	01/15/10	15.71	Microsoft Corp (MSFT)
Qualified Dividend	01/15/10	142.80	T Board Price Group Inc (TBPG)
Short Term Capital Gain	01/15/10	178.93	
Long Term Capital Gain	01/15/10	685.97	

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

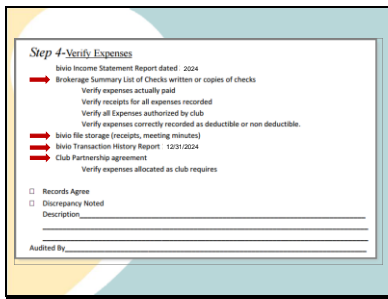
You have to pay tax on this income. The amount and dates need to be recorded correctly so the tax program will be able to classify and report it correctly as qualified or non-qualified on your taxes.

What do you do if there is a discrepancy?

Proceed with Audit.

Note entries where corrections are needed.

Slide 43



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.

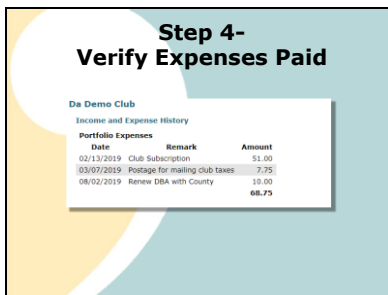
To do this you will need: Meeting minutes to show expenses were authorized and receipts that you have stored in your file storage area

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



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.

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



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 12/31/2024
- Brokerage trade confirmation summary report 1/1/2024 - 12/31/2024
Confirm transaction dates, security name, number of shares of stock, purchase/sale price, total cost or proceeds
- Bivio Capital Gain/Loss Report 12/31/2024
- Brokerage Realized Gain/Loss Report 12/31/2024
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 12/31/2024
- Brokerage statements for month reorganization occurred
- Brokerage Unrealized gain/loss report
- Bivio Investment lot cost basis report - dated right after date of reorganization
Confirm reorganizations entered correctly. (contact bivio support if necessary)
Confirm cost basis of all shares involved agrees with what broker shows after reorganization on Unrealized gain/loss report.

Records Agree
 Discrepancy Noted
Description _____

Step 5 is done to verify that all your stock transactions have been entered correctly. You want to do this so you know that the value of your portfolio is being tracked properly and that capital gains and losses when you sell stock will be calculated and reported correctly on your taxes.

You'll be using a variety of reports to do this step both from bivio and from your broker including the

Bivio Transaction Ledger report

The bivio Capital Gains and Losses 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 you will 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, 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

Date	Transaction	Activity	Symbol	Qty	Price	Principal	Commission	Net amount
01/01/2018	AMZN	Buy	AMZN	10	175.00	1,750.00	0.00	1,750.00
01/01/2018	GOOGL	Buy	GOOGL	10	240.00	2,400.00	0.00	2,400.00
01/01/2018	MSFT	Buy	MSFT	10	100.00	1,000.00	0.00	1,000.00
01/01/2018	FB	Buy	FB	10	150.00	1,500.00	0.00	1,500.00
01/01/2018	APPL	Buy	APPL	10	120.00	1,200.00	0.00	1,200.00

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 need a report all brokers will provide you at any time during the year called a Realized Gain/Loss Report

And you compare that with the Capital Gains and Losses Report bivio provides you.

Slide 51

Here is an example of the bivio Capital Gains and Losses report

And a Realized Gain/Loss report from a 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 the 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'll need to determine the reasons for any differences and make any corrections needed.

Slide 52

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 that might 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

Reorganizations Cost Basis

Brokers Unrealized Gain/Loss Report

Security	Qty	Start Date	Adj. cost	Market value	Cost	Market value	Adj. gain/loss	Adj. gain/loss	Gain
GENERAL MIL CORP	1	01/10/2018	100.00	175.00	100.00	175.00	75.00	75.00	75.00
UNITED OF MICHIGAN INC (DOW)	1	01/10/2018	100.00	100.00	100.00	100.00	0.00	0.00	0.00
DOW INC (DOW)	1	01/10/2018	100.00	100.00	100.00	100.00	0.00	0.00	0.00

bivio Investment Lot Cost Basis Report

Investment Lot Cost Basis for 01/10/2018

Company	Acquisition Date	Shares	Cost Basis per Share	Total Cost Basis	Market Value	Unrealized Gain/Loss	Gain Type
General Mil (DOW)	01/10/2018	1.0000	100.00	100.00	175.00	75.00	STG
United of Michigan (DOW)	01/10/2018	1.0000	100.00	100.00	100.00	0.00	STG
Dow Inc (DOW)	01/10/2018	1.0000	100.00	100.00	100.00	0.00	STG

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 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. While you have these reports in hand, also compare the cost basis, number of shares and open date for every lot of every stock your club owns.

Slide 54

**Reorganizations
Cost Basis**

• 2024

ANET spff, 12/4/2024, 4 for 1

AVSD spff, 7/15/2024, 10 for 1

CON Acquisition of MBO, 11/23/2024, .253
CON for 3 MBO

STN spff, 12/13/2024, 2 for 1

SE spinoff GEN, 4/02/2024, 1 GEN for 4 GE,
79.74% Remaining Basis

WIDA spff, 6/07/2024, 10 for 1

WHE spinoff 2024, 4/01/2024, 1 SCKV for 4
MHE, 84.06% Remaining Basis

SW Acquisition of WNK, Stock plus cash, 1
2024 WNK plus SS: 01/05/2024, PIV 946.25

TRF spinoff SCRO, 12/01/2024, 2 SCRO for 1
TRF, 91% Remaining Basis

TSCD spff, 12/20/2024, 5 for 1

TTK spff, 9/9/2024, 5 for 1

**Reorganization
Cost Basis
Adjustments**

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

You can get to this list at a link named “Reorganization Cost Basis Adjustments” on the bivio 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 Step 5?

First, it verifies that all stock transactions have been recorded so that the value of the club is being calculated correctly. Your entire accounting and tax reporting is dependent on accurate club valuations.

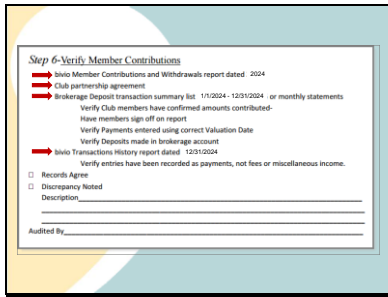
Second, it verifies that basis is being tracked correctly so that correct capital gains and losses will be reported on your Income both for the current year and for future years. This is a very important step. Capital gains and losses will be reported on your 1099 form to the IRS. Your club information 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. Auditors, don’t try and correct them yourselves, but make sure your treasurer works out these issues before your club files any taxes.

Slide 56



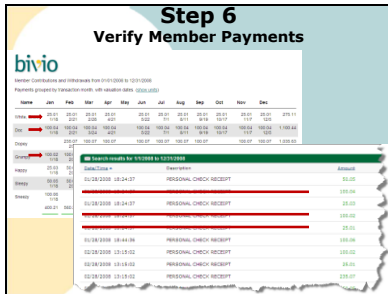
Step 6 confirms that your members’ contributions to the club have been recorded accurately. This is important because these records affect member ownership, both the percentage of the club each person owns and the gains or losses they have had from their investment in the club. They also will affect 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.

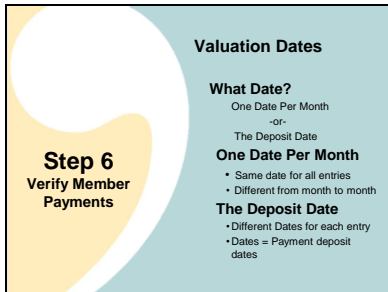
Slide 57



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 club brokerage account.

Slide 58



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 59

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Utah, Sean	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	278.11
Don	100.04	100.04	100.04	100.04	100.04	100.04	100.04	100.04	100.04	100.04	100.04	100.04	1,100.36
Clayton	200.07	200.07	200.07	200.07	200.07	200.07	200.07	200.07	200.07	200.07	200.07	200.07	1,038.03
Country	100.02	100.02	100.02	100.02	100.02	100.02	100.02	100.02	100.02	100.02	100.02	100.02	900.00
Hobby	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	25.01	278.14
Sneezzy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	900.00
Snowdy	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	900.00
Sneaky	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	900.00
TOTAL	600.21	600.21	600.21	600.21	600.21	600.21	600.21	600.21	600.21	600.21	600.21	600.21	6,002.11

This club uses a single valuation date per month.

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

than the ones entered for the others. This doesn't look right. If the club only has one valuation date a month, they should be the same. It is something to note and have the treasurer check into.

For some months, there are no payments recorded for certain members. Is that OK?

It might be if the total for the year for each member is OK. That is why you have each member confirm their totals.

Slide 60

DATE	DESCRIPTION	AMOUNT	MEMBER
1/1/2020	Member Payment	100.00	Snow White
2/1/2020	Member Payment	100.00	Snow White
3/1/2020	Member Payment	100.00	Snow White
4/1/2020	Member Payment	100.00	Snow White
5/1/2020	Member Payment	100.00	Snow White
6/1/2020	Member Payment	100.00	Snow White
7/1/2020	Member Payment	100.00	Snow White
8/1/2020	Member Payment	100.00	Snow White
9/1/2020	Member Payment	100.00	Snow White
10/1/2020	Member Payment	100.00	Snow White
11/1/2020	Member Payment	100.00	Snow White
12/1/2020	Member Payment	100.00	Snow White

The next thing you want to do is use a Transaction History report to confirm that member deposits have been recorded as member payments, not as fees or miscellaneous income.

You want to see that each listing in this section is identified as a member payment

And not a ‘Fee’ unless you had some unusual situation and you were charging a member a penalty.

Slide 61

Step 6
Verify member payments

Why?

- Member investments correct

Discrepancy?

- Proceed
- Note corrections

So in summary, why do we do this step?

It verifies that all members are being given proper credit for their investments in the club so that their account is tracked correctly, and their taxes are reported to them correctly.

What do you do if there is a discrepancy?

Proceed with the Audit.

Note entries where corrections are needed.

Slide 62

Step 7: Verify Withdrawals Paid Correctly

- Review withdrawal reports for year being audited
- Club partnership agreement
- Verify transaction date is date check was given to withdrawing partner
- Verify records properly reconciled before processing withdrawal report (no post withdrawal adjustments)
- Review investment lot cost basis report (i) – dated right after date of each stock withdrawal entry
- Brokerage “Unrealized” and/or “Realized” gain/loss reports showing specific lot cost basis details
- Confirm that number of shares, purchase dates and total cost basis of any lots remaining after stock withdrawal agree with similar details on the broker’s “Unrealized” and “Realized” gain/loss reports if the club still owned any of the shares transferred after the withdrawal.

4 Records Agree
4 Discrepancy Noted?
Description: _____
Audited By: _____

*Check double recording errors used to fix fees, but if withdrawal shows other discrepancies there it should have been reported. It may be necessary to print from other reports, especially if you have gotten some reports from a third party like the Accounting Center.

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

Step 7
A. Verify Withdrawals Entered Correctly

01/17/2019 Jeffrey Chavira, Full Withdrawal to Stock

Member Valuation Date	01/17/2019	Cash	1,026.67
Share Value	37.83221	Dividends (2%)	7.50000
Share Withdrawal	252.02779	Withdrawal Fee	(75.000)
Withdrawal Value	1,026.67	Withdrawal Value	1,026.67

Member's Basis Before Withdrawal: 6,415.56
Current Basis Allocation: 162.60
Adjusted Basis: 6,478.27

Member's Cost Basis of Property Distributed:

Cash	1,026.67
Share Value	162.60
Share Total	6,478.27
Member's Basis After Withdrawal	6,478.27
Share(s) Realized on Withdrawal (0): (0)	0

Net Adjustments:

Disputed	Interest	Capital Gain	Capital Gain	Share
0.00	0.00	0.00	0.00	0.00

Investments Transferred: Market Value \$2,721,200.00

Asset	Share	Share	Market Value	Club's Member's A.B.	Cost Basis
Allylife Inc (Ord)	16,575.2122	15.000000	214,000.00	1,000.00	625.00
Amplify Real Estate	70,000.0000	1.000000	2,720,200.00	1,000.00	1,000.00
Cat Health Corp (Ord)	80,715.0019	40.000000	68,500.00	1,500.00	1,200.00
			2,942,700.00	3,500.00	2,625.00

To determine whether a withdrawal was paid according to the club partnership agreement, you will have to find the section in the agreement 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.

Most important, did your club pay the member exactly the “Cash” amount shown on the report?

Slide 64

Step 7
B. Verify Stock Transfers Entered Correctly

- Lot Selection
- Compare the cost basis of remaining shares after every stock transfer

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 still owned after the withdrawal transfer.

Slide 65

Step 7
B. Verify Stock Transfers Entered Correctly

Div Demco Club
 10/20/2021
 Member Valuation Data

Symbol	Shares	Cost Basis	Market Value	Unrealized Gain/Loss
AbbVie Inc (ABBV)	100	1,000.00	1,200.00	200.00
Alphabet Inc A (GOOGL)	100	2,500.00	2,800.00	300.00
Meta Platforms Inc (FB)	100	1,500.00	1,600.00	100.00
Microsoft Corp (MSFT)	100	3,000.00	3,200.00	200.00

For example,

the Demo Club paid out a withdrawal with shares of stock on 6/2/2021.

They transferred shares of AbbVie, Alphabet, Meta and Microsoft to the withdrawing member.

Slide 66

Step 7
B. Verify Stock Transfers Entered Correctly

Investment Lot Cost Basis for 06/02/2021

Acquisition Date	Shares	Cost Basis	Total	Market	Unrealized Gain/Loss	Gain Type
06/02/2020	35,000	93,500	93,500	1,072.50	987.50	STCG
08/07/2020	20,000	92,700	1,064.40	2,244.20	369.80	STCG
11/06/2020	20,000	92,870	1,823.40	2,244.20	260.80	STCG
03/02/2021	75,000	410,800	4,406.20	6,413.70	1,417.50	LTG
02/09/2018	1,000	1,031.40	1,251.45	2,247.58	1,216.13	LTG
04/14/2015	1,000	1,040.00	1,066.52	2,247.58	1,217.06	LTG
Subtotal:	3,000	984,000	1,852.28	2,682.74	6,890.64	
09/12/2014	2,000	187,400	708.15	1,430.20	642.80	LTG
11/15/2015	4,000	154,940	779.78	1,204.26	524.28	LTG
12/01/2014	4,000	129,960	389.80	1,430.20	640.40	LTG
Subtotal:	14,000	472,300	1,767.71	4,064.66	1,817.48	
03/12/2014	2,000	145,400	704.20	1,208.20	502.80	LTG
06/05/2020	10,000	182,470	1,824.70	2,457.10	632.40	STCG
07/12/2019	1,000	288,000	1,704.00	1,134.00	-570.00	STCG
Subtotal:	23,000	186,840	5,201.70	6,879.88	1,648.13	

After the withdrawal was recorded, bivio showed these lots remain in the club accounting on the Investment Lot Cost Basis report.

Slide 67

Step 7
B. Verify Stock Transfers Entered Correctly

Investment Lot Cost Basis for 06/02/2021

Symbol	Shares	Cost Basis	Market Value	Unrealized Gain/Loss
AbbVie Inc (ABBV)	100	1,000.00	1,200.00	200.00
Alphabet Inc A (GOOGL)	100	2,500.00	2,800.00	300.00
Meta Platforms Inc (FB)	100	1,500.00	1,600.00	100.00
Microsoft Corp (MSFT)	100	3,000.00	3,200.00	200.00

A broker's

“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 of every stock should be compared to the bivio report to make sure they agree.

Slide 68

Step 7
B. Verify Stock Transfers Entered Correctly

Transfer	Date	Shares	Cost	Market	Realized Gain/Loss	Unrealized Gain/Loss
12/31/2017	12/31/2017	24	4776.24	4776.24	0.00	0.00

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

The cost basis details for each lot 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

For instance, 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.

Slide 71

Step 7
Verify withdrawals

Corrections Needed

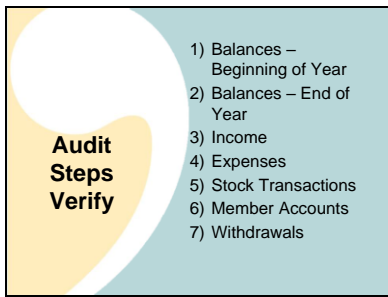
- Payment Amount?
 - Proceed with extreme caution

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.

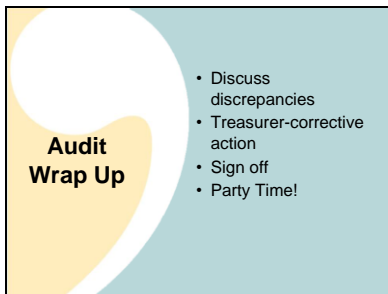
Slide 72



That was the last step. To summarize, when you're done you will have completed these steps:

- Verify cash balances and number of shares of stock—at the start of the tax year
- Verify cash balances and number of shares of stock—at the end of the 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.

Slide 73



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!

Slide 74



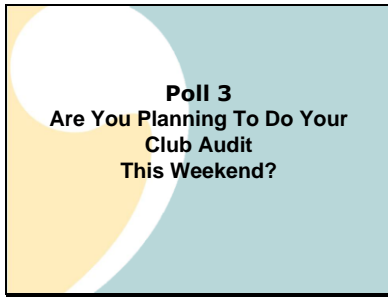
And that's how to do an audit. If you've followed our recommendations to keep your club accounting as simple as possible, you'll be able to complete the checks very quickly.

If you have any questions as you're going through your club's audit, 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 typed any questions during this webinar or in advance that were specific to your club that we haven't addressed, send them to us in support and we can help you work through them.

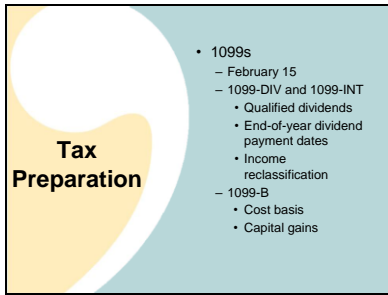
Slide 75



And now, another poll question. Are you planning to do your club audit this weekend?

It looks like some of you are. Great! The bivio support staff will be available throughout this weekend to answer any questions. It is ok to do the audit later, but we strongly recommend that your club do the audit sometime in January.

Slide 76



Just a brief note about club taxes. Once the audit 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 on February 13, but just to give you an idea...

Your club should receive your 1099s by February 15 but check your broker's website for their latest information on when to expect them.

There are several types of 1099s. 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 the end-of-year dividend payments

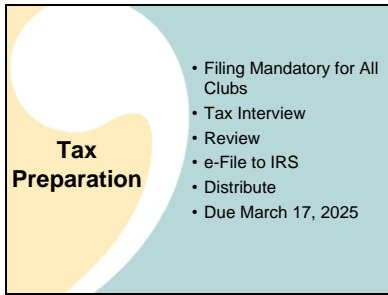
Possible reclassification of dividend income

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.

Slide 77



Tax Preparation

- Filing Mandatory for All Clubs
- Tax Interview
- Review
- e-File to IRS
- Distribute
- Due March 17, 2025

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,

e-file them with the IRS

and distribute them to your members.

They are due by March 17, 2025.

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.

Slide 78



Tax Preparation

Tax Program Ready in Mid-February

Webinar
February 13, 2025

www.bivio.com/club_cafe

We anticipate 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 and this will include the steps for electronic filing. You can sign up now for the webinar at www.bivio.com/club_cafe

Slide 79



Questions?



support@bivio.com

bivio powered with™