
Closing the Investment Club's Books at Year-End 2020

DOUG GERLACH ♦ **PRESIDENT, ICLUBCENTRAL INC.** ♦ **DECEMBER 2020**



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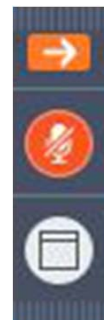
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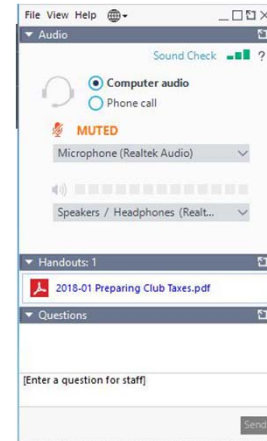


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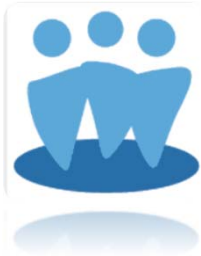
Upcoming Tax Preparation Webinar



Filing the Investment Club's 2020 Taxes

January 19, 2021

9:00-10:00 PM ET



WHAT'S NEW FOR 2020 CLUB TAX PREP?

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New for 2020



- Continue to offer e-Filing for IRS, CA, NY, WI.
- Adding e-Filing for MA, NJ, PA.
- No paper filing offered for CA, MA, NJ, NY, PA, WI.
 - Must use myICLUB.com – these states will not be offered for paper filing using Club Accounting 3.
- Remaining 9 states can be filed on paper using myICLUB or Club Accounting 3:
 - AZ, CO, GA, IN, IA, MD, MN, MO, OR.

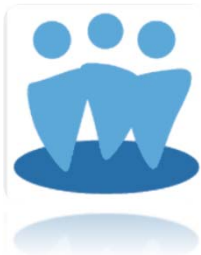
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Pre-Orders Available Now




- Pre-order Federal & Club Tax Printers at early bird rates now at www.ICLUB.com.
- Expected release in January 2021.
- Remember: IRS partnership filing deadline is March 15.

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CLOSING YOUR CLUB'S BOOKS

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“Closing the Books” Helps to:


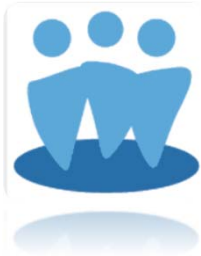
1. Ensure accuracy of club’s books.
 - Catch errors before they compound & become incredibly difficult to resolve.
2. Provide members with details about club performance & results.
3. Get ready to generate federal & state tax returns.

||

Year-End & Tax Return Calendar


DEC	Purchase Tax Printer & Create Audit Committee. Remind Members of Tax Schedule.
JAN	Confirm all 2020 transactions are recorded in books. Remind Members of Tax Schedule.
FEB	Receive & Confirm 1099s. Audit Books. Remind Members of Tax Schedule.
MAR	Generate & File Club IRS Return & Distribute K-1s to Partners by March 15.

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TASKS FOR CLOSING THE BOOKS

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Use Recommended Allocation Settings



- **Allocation method:**
 - Should use “Time-based” allocation. (Allocates income/expenses/gains/losses to members as of ownership on date of each transaction.)
 - Fairer to members with different ownership levels.
- **Unit distribution/reinvestment method:**
 - Do NOT distribute/reinvest units (it’s needlessly complex & messes up return calculations).
 - Select 1st year you did/will not distribute units. (New clubs: select 1st year of operation.)

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The screenshot shows the myICLUB website interface. The main heading is "Allocation Settings". Below the heading, there is a paragraph explaining the purpose of the page: "This page lets you customize how the year-end allocation of income and expenses is performed for your club." Two numbered instructions follow: "1) Choose the allocation method for your club. The time-based method allocates income and expenses from taxable transactions to each member according to the amount of the club each member owned at the time of the transaction. A non-time based method allocates according to the amount each member owned at the times of withdrawals or at the end of the club's fiscal year. We recommend that club's use time based method of allocation to members, but those who wish to adhere to the original non-timed based methodology can choose to do so." Below this, there are two radio button options: "Time based allocation" (which is selected) and "Non-time based allocation". Instruction "2)" explains that according to new accounting methodology, year-end allocation does not adjust members' valuation units, and users should select a year to start using the new methodology. A dropdown menu is set to "2006" and an "Update settings" button is present. A sidebar on the left lists various accounting and utility options. The page number "15" is in the bottom right corner.

Correctly Identify All Securities

- Check Security settings:
 - myICLUB.com:Accounting > Securities > Update Security Settings
- Ensure “Type” is correct:

Security Type	Set in Program As:
Stocks	Stocks - Common
Mutual Funds	Mutual Fund
Real Estate Investment Trusts (REITs)	Stocks - REIT
Exchange Traded Funds (ETFs)	Other
Limited Partnerships & Other	Other

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The screenshot shows the myICLUB website interface. The main heading is "Edit security settings". Below the heading, there is a paragraph explaining the purpose of the page: "This page allows you to edit the symbol, name, security type, tax status, and method of cost calculation for sale of a security. When recording a sale for a security using Average Cost Method, the cost basis per share sold is calculated as the average cost basis of all blocks of that security. When using Average Cost Method, the shares will be sold in the order in which they were acquired. Note that this option is only available for mutual funds and fixed cash investments."

Company name	Symbol	Exchange	Type	Federal tax free
Duke Realty Corp	DRE	NYSE	<input checked="" type="radio"/> Stock <input type="radio"/> - common <input type="radio"/> - reit <input type="radio"/> - other <input type="radio"/> Mutual fund <input type="radio"/> Other	<input type="checkbox"/>

Advanced Settings

In addition to the above settings, you can also change the source of quotes for this security. **Note that changing the quote symbol below may cause your quotes to become inaccurate.** The above security representation (symbol, name, type, etc) is a private record of your club, and you can customize the values arbitrarily. The quote symbol below is the symbol as it appears on a public exchange of a security.

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Securities to Avoid in Clubs




- Some securities pose problems for clubs:
 - Gold/Commodity ETFs
 - Real Estate Investment Trusts (REITs)
 - Royalty Trusts
 - Publicly Traded Partnerships (PTPs)
 - Master Limited Partnerships (MLPs)
- Problems include additional complexity for treasurer (workarounds, manual calculations & entries), additional tax form filings.
 - Contact ICLUBcentral for (limited) support on dealing with these securities.
- Recommend selling NOW before another year passes to eliminate problems in future years.



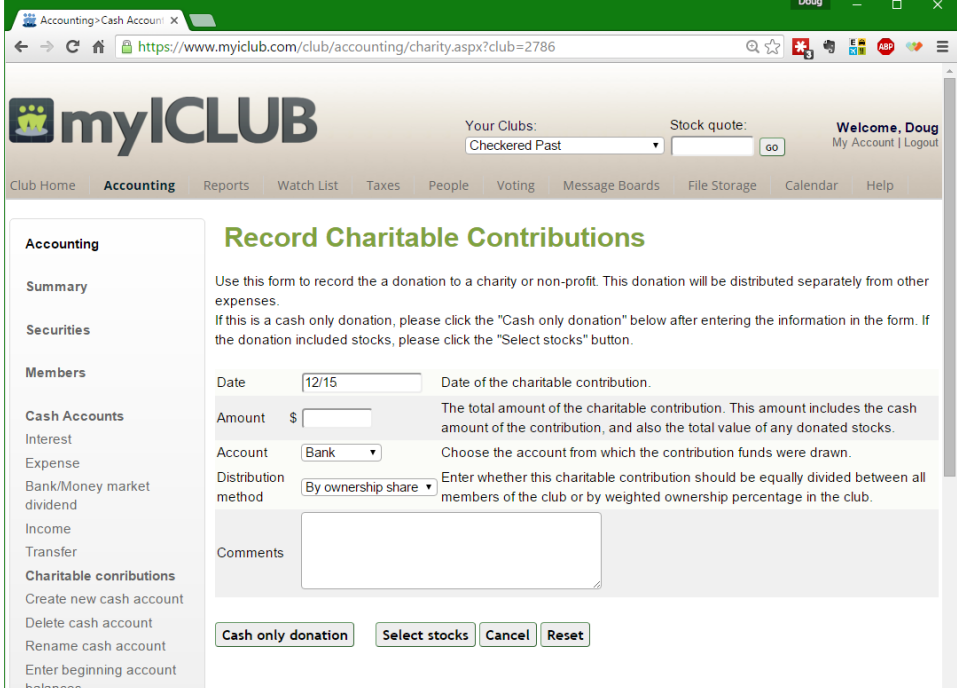
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Charitable Donation from the Club



- Consider making donations to eligible charities.
- Club can donate securities or cash.
 - ICLUBcentral software is only software that supports donations of securities.
- Charitable deduction passes through to members.
- For donations of securities, cost basis is stepped up to present value (thus can avoid capital gains)!

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The screenshot shows the myICLUB website interface. The browser address bar displays <https://www.myiclub.com/club/accounting/charity.aspx?club=2786>. The page title is "Record Charitable Contributions".

Record Charitable Contributions

Use this form to record the a donation to a charity or non-profit. This donation will be distributed separately from other expenses.
 If this is a cash only donation, please click the "Cash only donation" below after entering the information in the form. If the donation included stocks, please click the "Select stocks" button.

Date: Date of the charitable contribution.

Amount: \$ The total amount of the charitable contribution. This amount includes the cash amount of the contribution, and also the total value of any donated stocks.

Account: Choose the account from which the contribution funds were drawn.

Distribution method: Enter whether this charitable contribution should be equally divided between all members of the club or by weighted ownership percentage in the club.

Comments:

Buttons:

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Finalize Club Data in Books



- Ensure all transactions up to & including 12/31 are entered in books.
- **HOWEVER:**
 - Do NOT enter withdrawal or other transaction on 12/31.
 - Move to 12/30 any transaction that happened on 12/31.
 - Move to 12/30 any mutual fund distribution that is paid in next year BUT taxable in prior year.

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Review Books for Problem Transactions



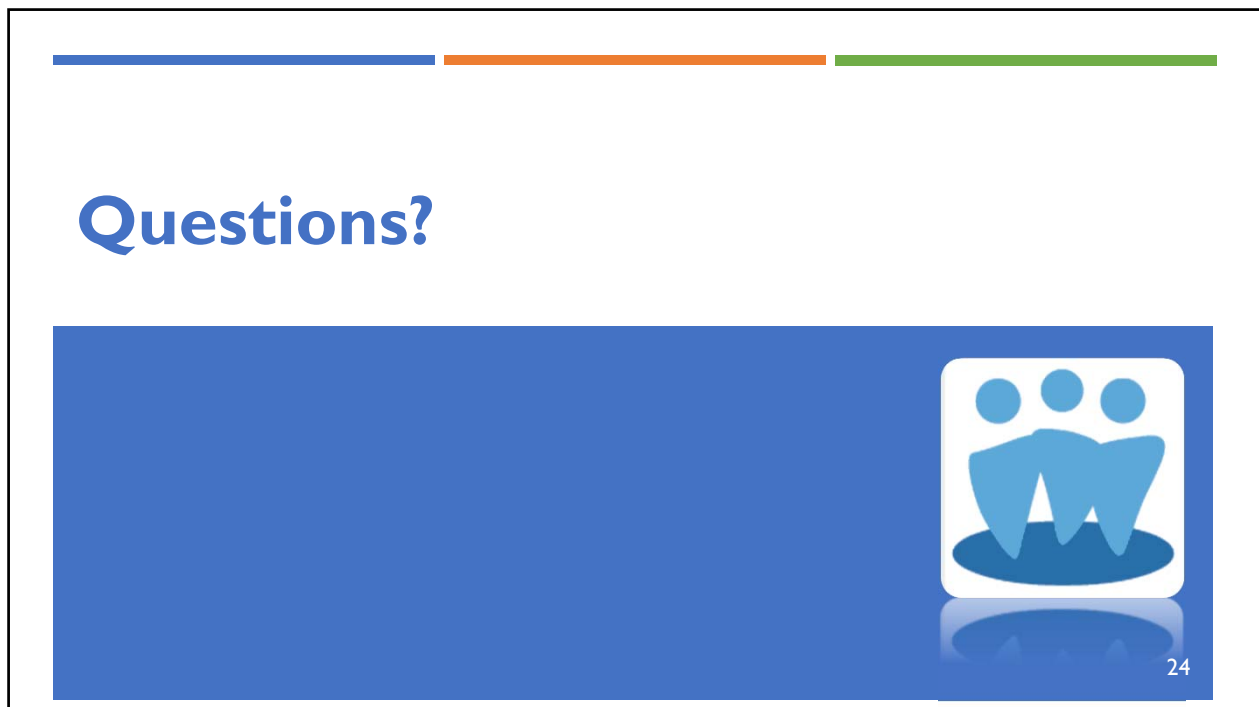
- Member “Fees” should be used only for penalties.
 - Such as bounced check fees.
 - All other money put in by members should be recorded as Member Payments.
- Dividends from stocks should be entered as “Security Transactions.”
 - CAN NOT be entered as Cash transactions.
 - Must include Ex-Dividend date to determine proper tax treatment.
 - Use myICLUB Securities Dividend Report to review all ex-dividend dates entered & correct.
- Member Withdrawals SHOULD NOT be entered on valuation dates.
- All splits should be recorded for all stocks.

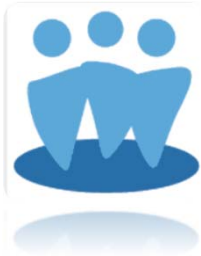
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Security Dividends

Security Dividends report

Date Paid	Ex-Div Date	Security	Qualifying Amount	Non-Qualifying Amount	Remarks
1/5/2015	12/10/2014	Air Lease Corp	\$12.00	\$0.00	
1/30/2015	12/29/2014	Dow Chemical Co	\$84.00	\$0.00	
3/19/2015	2/10/2015	Resmed Inc	\$36.40	\$0.00	
3/25/2015	3/2/2015	Qualcomm Inc	\$56.70	\$0.00	
3/27/2015	3/11/2015	National Oilwell Var	\$46.00	\$0.00	
4/7/2015	3/18/2015	Air Lease Corp	\$12.00	\$0.00	
4/30/2015	3/27/2015	Dow Chemical Co	\$84.00	\$0.00	
6/15/2015	5/28/2015	Polaris Indus Lp	\$7.42	\$0.00	
6/18/2015	5/19/2015	Resmed Inc	\$36.40	\$0.00	
6/24/2015	6/1/2015	Qualcomm Inc	\$64.80	\$0.00	
6/26/2015	6/10/2015	National Oilwell Var	\$46.00	\$0.00	
6/29/2015	6/12/2015	Gilead Science	\$43.00	\$0.00	
7/6/2015	6/11/2015	Air Lease Corp	\$12.00	\$0.00	
7/30/2015	6/26/2015	Dow Chemical Co	\$84.00	\$0.00	
9/15/2015	8/28/2015	Polaris Indus Lp	\$13.78	\$0.00	
9/17/2015	8/18/2015	Resmed Inc	\$39.00	\$0.00	
9/23/2015	8/31/2015	Qualcomm Inc	\$64.80	\$0.00	
9/25/2015	9/9/2015	National Oilwell Var	\$46.00	\$0.00	
9/29/2015	9/14/2015	Gilead Science	\$43.00	\$0.00	
10/6/2015	9/8/2015	Air Lease Corp	\$12.00	\$0.00	





YEAR-END VALUATIONS

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Create Year-End Valuation



- First, create Securities Valuation/Valuation Statement for 12/31.
 - If market closed on 12/31, security prices from last day market was open will be used (still represents valuations as of 12/31).
 - Do NOT use Valuation Statement from December meeting.
- Remember, do NOT enter any transactions on 12/31 – move these to 12/30.

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Valuation
Step 2 : Value securities for 12/31

Symbol	Price	Shares owned on 12/31/2015	Default price date
AAPL	\$112.48	60.000000 shares	12/31/2015
AL	\$30.68	200.000000 shares	12/31/2015
DRE	\$20.39	400.000000 shares	12/31/2015
FAST	\$39.9	16.000000 shares	12/31/2015
GE	\$30.26	160.000000 shares	12/31/2015
GILD	\$100.49	35.000000 shares	12/31/2015
ORLY	\$251.73	110.000000 shares	12/31/2015
QSII	\$15.54	10.000000 shares	12/31/2015
STP	\$0.04	80.000000 shares	12/31/2015
SYK	\$91.41	40.000000 shares	12/31/2015
TGT	\$72.72	25.000000 shares	12/31/2015
WAG	\$82.56	40.000000 shares	12/31/2015

Buttons: Submit, Cancel, Reset

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Valuation Statement
Valuation statement as of 12/31.
Report generated on: 12/15

Buttons: Print, PDF, Email

Include the compound annual return in the valuation statement. ([What's this?](#))

Choose from your club's official valuation dates: 12/31 [create a new valuation](#)


Start return calculations from: 10/17

Button: Submit

Security	Date first purchased	Shares owned	Cost per share	Total cost	Price per share	Market value	Percent of total
Air Lease Corp (AL)	10/18/13	300.0000	\$29.7532	\$8,925.97	\$34.3100	\$10,293.00	11.9%
Cognizant Technology (CTSH)	07/15/11	193.0000	\$40.2769	\$7,773.43	\$52.6600	\$10,163.38	11.8%
Dollar General Corp (DG)	09/12/13	150.0000	\$59.1785	\$8,876.77	\$70.7000	\$10,605.00	12.3%
Dow Chemical Co (DOW)	07/12/13	200.0000	\$35.6526	\$7,130.52	\$45.6100	\$9,122.00	10.6%
Gilead Science (GILD)	08/15/14	85.0000	\$97.8074	\$8,313.63	\$94.2600	\$8,012.10	9.3%
LKQ CP (LKQ)	07/13/12	100.0000	\$28.9589	\$2,895.89	\$28.1200	\$2,812.00	3.3%
National Oilwell Var (NOV)	04/12/13	100.0000	\$63.7802	\$6,378.02	\$65.5300	\$6,553.00	7.6%
Navigator Holdings P (NVGS)	09/11/14	150.0000	\$29.6960	\$4,454.41	\$21.0600	\$3,159.00	3.7%
Qualcomm Inc (QCOM)	03/15/13	135.0000	\$64.4638	\$8,702.61	\$74.3300	\$10,034.55	11.6%
Resmed Inc (RMD)	12/18/09	130.0000	\$27.4522	\$3,568.78	\$56.0600	\$7,287.80	8.4%
SYNAPTICS INC (SYNA)	04/21/14	100.0000	\$62.5899	\$6,258.99	\$68.8400	\$6,884.00	8.0%
Totals				\$73,279.02		\$84,925.83	98.3%

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Questions?



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ALLOCATING INCOME & EXPENSES

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Why Allocate Income & Expenses?



- Partnerships (& LLCs) are “pass-through” entities for tax purposes.
 - Partnership income is not taxed federally or by most states, but instead is “passed through” to partners.
- Each year, partnership must allocate to each partner their share of income & expenses.
 - Income & expenses are allocated according to each partner’s ownership percentage in club.
 - Required by partnership tax law to accurately track member cost basis in club (PIPE).

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Allocate Income & Expenses



- As of 12/31, allocate income & expenses for entire year.
 - **myICLUB.com**: Accounting > Utilities > Allocate income & expenses
- Done only once each year at year-end, generally after receiving 1099s.
 - If you generate preliminary allocation for members, make them know it’s subject to revision when allocation is finalized.

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Accounting > Utilities: Allocate In... x +

myclub.com/club/accounting/distribute.aspx?club=2786

myICLUB

Your Clubs: Checkered Past Stock quote: [] GO

Welcome, Doug
My Account | Logout

Club Home Accounting Reports Watch List Taxes People Voting Message Boards File Storage Calendar Help

Checkered Past

Allocate Income and Expenses

Your club currently uses time based distribution method.

Select year of allocation 2019

Comments

Accounting

Summary

Wizards **NEW!**

Securities

Members

Are you sure you would like to allocate your club's year end income and expenses? This is typically done for tax preparation purposes.

Yes No

Extra Step for REITs & Mutual Funds



- If own REITs, Mutual Funds, or “Other” securities, you will be prompted to enter any Qualified Dividend or Unrecaptured Section 1250 Gain during Allocation process.
- This figure will be on 1099, but may also be available from REIT or fund website in early January.

Handling Fund Distributions

- Mutual funds & ETFs report breakdown of quarterly distributions only at year-end.
- Distributions can include:
 - Dividends
 - Short-term gains
 - Long-term gains
 - Return of capital
 - Interest
- Other categories will require manual entries in club books.

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The screenshot shows a web browser window with the URL `myclub.com/club/accounting/distribute.aspx?club=2786`. The page title is "Allocate Income and Expenses" under the "Checked Past" club. The form is titled "Enter Additional 1099-DIV Information" and includes instructions: "You should have your Form 1099-DIV from your mutual fund/REIT/other security available when entering values on this screen. Enter the amount of qualifying dividends (box 1b) and the amount of Unrecaptured Section 1250 Gains (box 2b) distributed by the mutual fund/REIT/other security."

Security	Qualifying Dividend	Unrecap. Sec. 1250 Gain
DRE	0.00	0.00
	(Total: \$360.00)	(Total: \$0.00)

At the bottom of the form are "OK" and "Cancel" buttons.

Completing Allocation



- Once report is generated, provide copies or link to members.
- NOTE: If any transactions are changed during prior year, should regenerate Allocation.
- Members should know that report should be considered “preliminary” until data is confirmed by 1099.
- If needed, can regenerate Allocation prior to preparing tax returns.

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Reports > Allocation of Income and Expenses Report

myclub.com/club/reports/distributions.aspx?club=2786&Year=2019

Allocation of Income and Expenses Report


Allocation of Income and Expenses as of 12/31/2019 (generated on: 12/9/2019).

If you would like to recalculate year-end distributions, please [follow this link](#).


Year of Allocation: 2019

	Non-Qual Divs	Qual Divs	Interest	Tax-free interest	Short term cap gain	Long term cap gain	Other income	Expense	Expense (non-deduct)	Foreign taxes	Charity	Total
Albright, Madeleine	\$0.00	\$1.15	\$0.00	\$0.00	\$0.00	\$140.32	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$141.47
Chirac, Jacque	\$0.00	\$1.60	\$0.00	\$0.00	\$0.00	\$194.74	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$196.34
Club, Guest Login	\$0.00	\$0.95	\$0.00	\$0.00	\$0.00	\$115.21	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$116.16
Cod, David R	\$0.00	\$13.89	\$0.00	\$0.00	\$0.00	\$1,689.05	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,702.94
Finn, Sarah	\$0.00	\$2.28	\$0.00	\$0.00	\$0.00	\$277.67	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$279.95
Gerlach, Doug	\$0.00	\$1.36	\$0.00	\$0.00	\$0.00	\$165.72	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$167.08
Grasso, Richard	\$0.00	\$2.60	\$0.00	\$0.00	\$0.00	\$316.74	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$319.34
Halbut, James	\$0.00	\$1.44	\$0.00	\$0.00	\$0.00	\$174.87	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$176.31
Driffelin, Dorian	\$0.00	\$1.49	\$0.00	\$0.00	\$0.00	\$183.14	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$184.63

Questions?



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OTHER YEAR-END TASKS

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Collect Financial Institution Documents



- Year-end statements from banks & brokers should (mostly) arrive in January.
- Tax documents that must be delivered to customers by Jan 31:
 - 1099-DIV - Dividends & Distributions
 - 1099-INT - Interest Income
 - 1099-MISC - Miscellaneous Income
 - 1099-OID - Original Issue Discount
- Tax documents that must be delivered to customers by Feb 15:
 - 1099-B - Proceeds From Broker & Barter Exchange Transactions
- Tax documents that must be delivered to partners by Mar 15:
 - Schedule K-1 (Form 1065) - Partner's Share of Income, Credits, Deductions, etc.
 - If your club owns a LP or similar entity, even if it trades on exchange, likely have to request a filing extension.

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Reconcile Club Data



- Info on financial institution tax docs should match what you report to IRS.
 - Exceptions are possible for spinoffs, merger with cash, other corporate action transactions.
- Verify club's books agree with bank/brokerage statements & 1099s.
 - Brokers required to report tax basis of stocks when sold if bought after 1/2011.
 - 1099s are now more complex.
- Check bank/broker totals from 1099 matches totals on:
 - Capital Gains Report.
 - Allocation Report.
 - Valuation Statement.
 - Transaction Summary.

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Provide Reports for Members



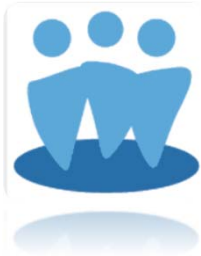
- Make sure members have access to:
 - **Valuation Statement** for 12/31.
 - **Allocation of Income & Expenses** for 1/1 to 12/31.
 - **myICLUB Member Tax Report**
 - Provides enough detail for tax preparer to begin work on member's return while awaiting K-1s.
 - No member should file individual return until club issues K-1s to members.
- **Optionally:**
 - Portfolio Diversification Reports.
 - Portfolio Benchmarking Report.
 - Complete Journal for year.

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Questions?



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AUDIT THE BOOKS

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What Is a Club Audit?



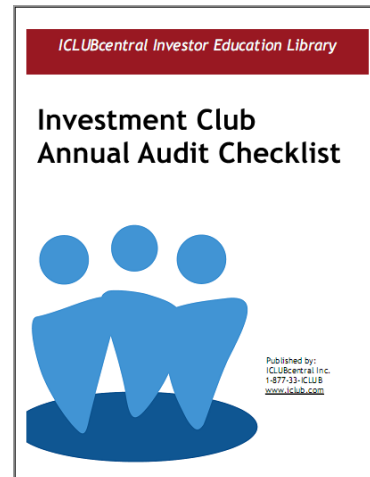
- Review of club's books & financial statements.
- Intended to discover errors or potential problems before filing club's tax returns.
- Required for club fidelity bond.

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How to Audit the Books



- Use “Investment Club Audit Checklist” from ICLUBcentral.
- Download:
 - Along with handout from this webinar.
 - From ICLUB.com Club Hub (in Learning tab).
 - From myICLUB.com File Storage.



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The Audit Committee



- Convene Audit Committee of members.
 - Treasurer may be available for questions but is NOT member of committee.
- May choose to meet:
 - After 1099s received (time is short before March 15th tax deadline),
OR
 - When year-end statements are available (will have more time but won't be able to review 1099s).

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Treasurer-Provided Documents



- Detail reports of all club transactions in year.
 - Complete Journal.
 - Transaction Summary Report.
 - Member Deposits Report.
- Brokerage/bank monthly statements.
- Brokerage/bank 1099
- Brokerage trade confirmations.

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Audit Committee Tasks



- Choose system for reviewing transactions.
 - All transactions in year, OR
 - All transactions in selected random months from year, OR
 - Random assortment of all kinds of transactions, OR
 - Divide transaction by type & assign entire category to single committee members.
- Pay special attention to larger transactions.
- Compare reviewed transactions to make sure books match financial institution statements & 1099s.

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If Errors Are Found



- Errors could be simple typos/mis-entered numbers or deviations from best practices.
- Report to club & treasurer who will correct in books & re-generate any affected reports (year-end valuation & allocation of income & expenses).
- Make recommendations about better procedures.

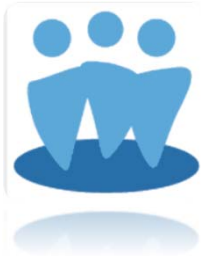
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When Audit Is Completed



- Committee members sign & submit “Annual Verification Report.”
 - Thank Club Treasurer for another great year!
- Keep report with club’s records.

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GETTING HELP

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Pre-Order Club Tax Printers



- Pre-order online at www.ICLUB.com/taxes/ or call 1-877-33-ICLUB.
- Early bird discount expires 12/31.
- What's new for 2020?
 - e-Filing for MA, NJ, PA.
 - Continue to offer e-Filing for CA, NY, WI, & IRS.
 - No longer offering paper filing for above 6 states.

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Switch to myICLUB.com



- Clubs in CA, MA, NJ, NY, PA, WI will need to switch to myICLUB in order to file state tax return.
- Visit www.myiclub.com/switch/ for details on switching to myICLUB.com from Club Accounting 3.

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ICLUBcentral Technical Support



- First, check Frequently Asked Questions (FAQ):
www.iclub.com/faq/
- Second, request online support: www.iclub.com/support/
- Third, call support line: 1-877-33-ICLUB
 - Open 9:30 AM to 6:00 PM ET, Monday – Friday.
 - Busiest day is Monday – *plan accordingly!*

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