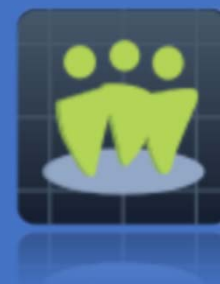


Closing the Investment Club's Books at Year-End 2021

DOUG GERLACH ♦ PRESIDENT, ICLUBCENTRAL INC. ♦ DECEMBER 2021



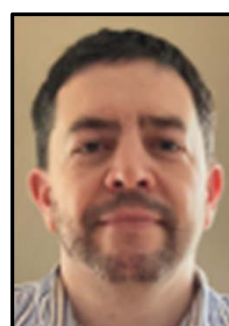
Your Hosts



Douglas Gerlach
President,
ICLUBcentral Inc.



Russell Malley
Club Accounting
Advisor,
ICLUBcentral Inc.



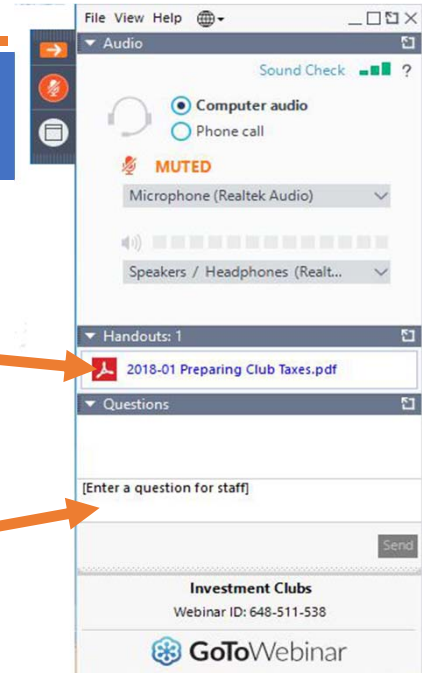
Sean Pulrang
Senior Support
Representative,
ICLUBcentral Inc.

2

Handout & Questions

Handout in PDF format is available in Handouts tab.

Type questions in Questions box.



Upcoming Tax Preparation Webinars



Filing the Investment Club's 2021 Taxes

January 18, 2022, 9:00-10:00 ET

2021 Investment Club Tax Clinic

February 15, 2022, 9:00-10:00 ET



UPDATES ON 2021 CLUB TAX PRINTERS

5

myICLUB.com Club Tax Printers



- **Federal:** Supports IRS e-Filing or paper filing.
- **Supported States:**
 - e-Filing provided for AZ, IN (New for 2021!).
 - E-Filing also provided for CA, MA, NY, NJ, & WI.
 - Paper filing provided for CO, GA, IA, MD, MN, MO, OR, PA.
 - Other states should confirm requirements.

6

What's New for 2021 Tax Year?



- **Only myICLUB.com is supported for 2021 season.**
 - Club Accounting 3 should convert to myICLUB.com ASAP.
- IRS has changed reporting of income from foreign investments.
- ICLUBcentral will cover tax return generation in January 18, 2022 webinar.
- myICLUB.com Tax Printers will be released in early 2022.

7

Year-End & Tax Return Calendar



DEC

Pre-Order Club Tax Printer & Create Audit Committee.
Remind Members of Tax Schedule.

JAN

Confirm all 2021 Transactions Are Recorded in Books.
Remind Members of Tax Schedule.

FEB

Receive & Confirm 1099s. Audit Books.
Remind Members of Tax Schedule.

MAR

By March 15: Generate & File Club IRS Return,
& Distribute K-1s to Partners.

Plus State Tax
Returns if
Applicable!

8



CLOSING YOUR CLUB'S BOOKS

9

“Closing the Books” Objectives



1. Ensure accuracy of club's books by catching errors before they compound & become incredibly difficult to resolve.
2. Provide members with details about club performance & results.
3. Comply with partnership tax law & prepare to generate federal & state tax returns.

10



THINGS TO CONSIDER IN DECEMBER


11

Charitable Donation from the Club



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

12



Accounting

Summary

Wizards

Securities

Members

Cash Accounts

Interest

Expense

Bank/Money market

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

Amount \$

Account

Distribution method

Comments

Date of the charitable contribution.

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.

Choose the account from which the contribution funds were drawn.

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

Harvest Capital Gains & Losses



- If club has sold securities in year with gains and/or losses, consider offsetting w/sales at year-end.
 - If have lots of capital gains, consider selling stocks held at loss.
 - Don't re-purchase until 31 days after sale, or else sale is "wash sale" & loss is disallowed>
 - If have lots of capital losses, consider selling stocks with high unrealized capital gains.
 - Can help reduce overweighting or reduce exposure to overvalued securities.
- Review realized gains/losses on Capital Gains Journal & unrealized gains/losses on Valuation Statement.

Capital Gains Journal



StockWatcher

My Assigned Stocks

Generate Report

StockWatcher

Assignments

Club Watch List

Monthly

Unified Report

Valuation Statement

Capital Gains Journal



Report for dates from 1/1/2020 to 12/31/2020 (generated on 12/16/2021).

Churchill & White

Security	Purchase Date	Sale Date	Sale Basis	Cost Basis	Gain	Shares	Gain Type
Churchill & White	1/24/2000	7/14/2020	\$4,789.50	\$523.25	\$4,266.25	50.00	Long Term Capital Gain
Total:					\$4,266.25		

First & Last Capital

Security	Purchase Date	Sale Date	Sale Basis	Cost Basis	Gain	Shares	Gain Type
First & Last Capital	7/13/2014	2/4/2020	\$170.90	\$104.59	\$66.31	6.00	Long Term Capital Gain
Total:					\$66.31		

Garden Restaurants

15



CLUB BOOKS CHECKUP

16

Good Time to Review Settings



- There are number of settings that apply to members, securities, & myICLUB.com accounting that should be reviewed periodically.
- If settings are incorrect, could lead to erroneous tax returns or other problems.

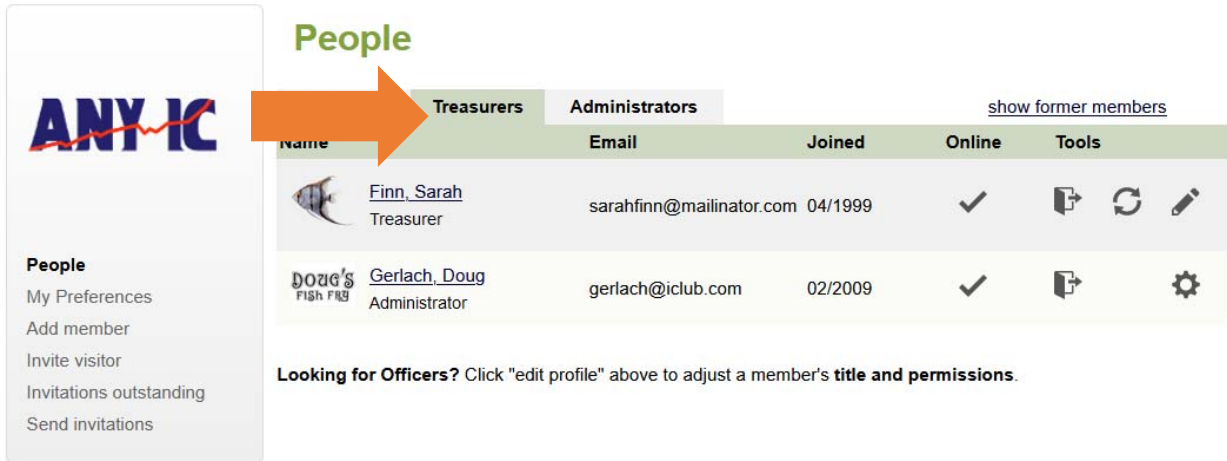
17

Check Treasurer Privileges



- Only those members who are serving in Treasurer or Administrator Roles should have privileges to record accounting information in myICLUB.com.
- Can review in **People** tab by selecting **Treasurers** tab.
- Admin should remove any unnecessary privileges in Member's Profile.

18











ANY IC

People

- My Preferences
- Add member
- Invite visitor
- Invitations outstanding
- Send invitations

People

Treasurers **Administrators** [show former members](#)

Name	Email	Joined	Online	Tools
 <u>Finn, Sarah</u> Treasurer	sarahfinn@mailinator.com	04/1999	✓	  
 <u>Gerlach, Doug</u> Administrator	gerlach@iclub.com	02/2009	✓	  


Looking for Officers? Click "edit profile" above to adjust a member's **title and permissions**.

19

Check Recommended Allocation Settings

- Clubs formed after 2010 shouldn't have to worry about these unless they were changed from defaults.
- Check 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.
- Check 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: 1st year of operation is selected by default.)

20



- Accounting
- Summary
- Wizards
- Securities
- Cash Accounts
- Utilities
 - Get stock quote
 - Backup manager
 - Import accounting records
 - Export accounting records
 - Start club books

Allocation Settings

Customize how your club's year-end allocation of income and expenses is performed with these advanced settings. Investment clubs formed in or after 2010 will not need to adjust these settings, and most investment clubs formed before 2010 will not need to adjust these settings more than once.

Time-based Allocation Settings

The time-based method allocates income and expenses from taxable transactions to each member at year-end according to the amount of the club each member owned at the time of the transaction. This is the default and the recommended method of allocating income and expenses as it is fairer for members. The non-time-based method allocates income and expenses according to the amount each member owned at the time of their withdrawal or as of the end of the club's fiscal year. This method was used before computerized club accounting software was developed and, while acceptable, can create less "fair" allocations, especially for members with significant changes in ownership in the club throughout the course of the year.

Select the method for your club

☒ Time based allocation

☐ Non-time based allocation

Reinvestment of Allocated Income and Expenses

When first developed, investment club accounting followed a similar method of unit accounting as used by mutual funds, with year-end allocations of income and expenses reinvested in the purchase or sale of units in the club. Later, this reinvestment was deemed unnecessary, so the mandatory reinvestment of units as part of the year-end allocation was removed in myICLUB.com. Members' cost basis (paid in plus earnings) are still adjusted by the year-end allocation, but no reinvestment of units occurs. Since clubs may have used reinvestment in the past, this setting allows those clubs to maintain accurate records before the switchover to the new, simpler allocation method. Allocations in years prior to the year selected will use the old methodology and reinvest units at year-end. Allocations starting with (and including) the year selected will use the new methodology and not units will not be adjusted. Effective with the 2010 year, reinvestment of units was discontinued entirely.

Select the year in which your club began using the new year-end allocation methodology if prior to 2010:

2006

21

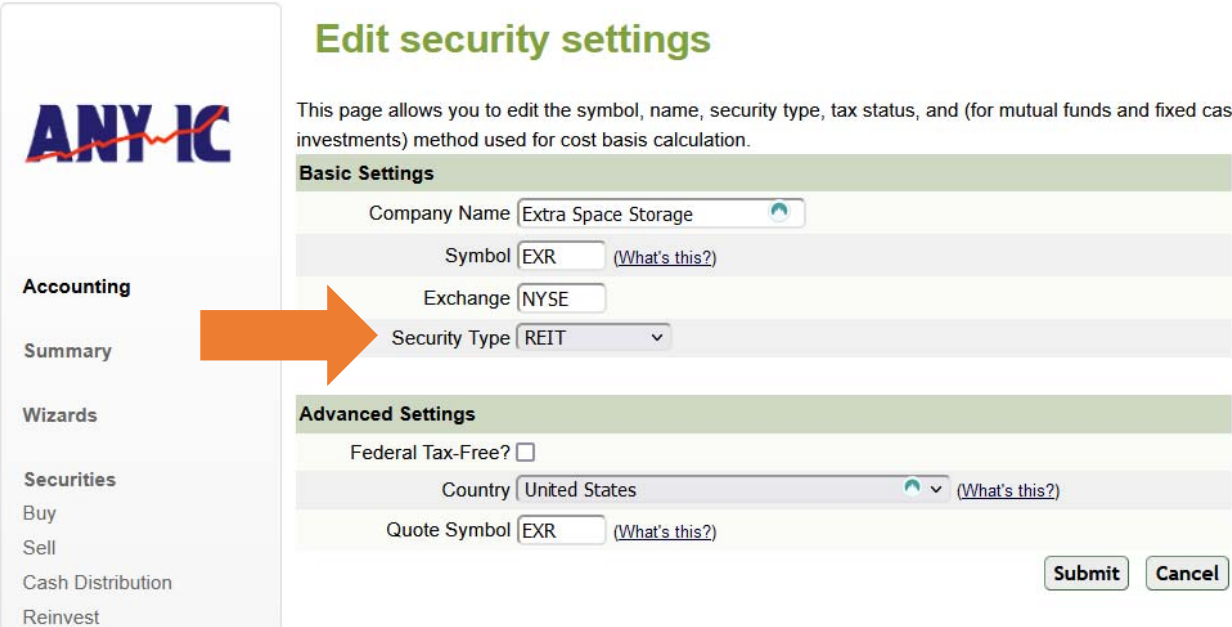
Correctly Identify Types of All Securities



- Check Settings for each Security owned by club in tax year:
 - 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

22



Edit security settings

This page allows you to edit the symbol, name, security type, tax status, and (for mutual funds and fixed cash investments) method used for cost basis calculation.

Basic Settings

Company Name

Symbol [\(What's this?\)](#)

Exchange

Security Type

Advanced Settings

Federal Tax-Free? ☐

Country [\(What's this?\)](#)

Quote Symbol [\(What's this?\)](#)

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).




Correctly Identify Countries of All Securities



- **New for 2021 tax year:** IRS is collecting more information on “foreign” investments.
- Additional schedules (K-2 & K-3) will be required for club & partners.
- All foreign securities must be identified by country.
- Check Security settings:
 - myICLUB.com: Accounting > Securities > Update Security Settings
- Ensure “Country” is correct.

25



Accounting

Summary

Wizards

Securities

Buy

Sell

Cash Distribution

Reinvest

Edit security settings

This page allows you to edit the symbol, name, security type, tax status, and (for mutual funds and fixed cash investments) method used for cost basis calculation.

Basic Settings

Company Name

Symbol [\(What's this?\)](#)

Exchange

Security Type

Advanced Settings

Federal Tax-Free? ☐

Country [\(What's this?\)](#)

Quote Symbol [\(What's this?\)](#)

Submit **Cancel**

Common Questions about Foreign Income



- ADRs are considered “foreign” companies.,
- Income from ETFs & mutual funds are included if derived from foreign securities.
- 1099 from brokerage should identify source country of foreign income.
- According to IRS rules, country of incorporation or registration determines foreign status.
 - Not where company primarily operates or where headquarters are located.


27

Ensure Member Information Is Correct



- To prepare club’s tax returns, check Member Profiles to make sure data is correct, especially:
 - Social Security/Tax ID numbers.
 - Address.
 - If member is “Foreign partner” (i.e., non-U.S. partner w/out tax ID number). Note: Club Tax Printer does not support foreign partners.
- Check in myICLUB.com: People > Member Profile for each member.

28



People

- My Preferences
- Add member
- Invite visitor
- Invitations outstanding
- Send invitations

Edit Member Profile

Change of address of responsible party? You may need to file [form 8822-B](#) with IRS. ([Help](#))

Member's Current StockWatcher Duties

None

[Prepare StockWatcher Report](#) [StockWatcher Assignments](#)

Personal Information

First Name:

Middle Name:

Last Name:

E-mail:

Social Security Number:

Foreign Partner? ☐ ([What's this?](#))

Permanent Address

Address:

29

Questions?



30



FINALIZING TRANSACTIONS

31

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.

32

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.
- Member Withdrawals ***should not*** be entered on valuation dates.
- All splits should be recorded for all stocks.
- Dividends from stocks should be entered as “Security Transactions.”
 - Do not enter as Cash transactions.
 - Must include Ex-Dividend date to determine proper tax treatment.
 - Use myICLUB Securities Distributions Report to review all ex-dividend dates entered & correct.

33



StockWatcher

My Assigned Stocks
Generate Report
StockWatcher
Assignments
Club Watch List

Monthly

Unified Report
Valuation Statement
Member Status

Portfolio

Company Size
Sector/Industry

Security Dividends



Report for dates from 1/1/2020 to 12/31/2020 (generated on 12/7/2021).

Date Paid	Ex-Div Date	Security	Qualifying Amount	Non-Qualifying Amount	Remarks
2/13/2020	2/7/2020	Apple	\$331.10	\$0.00	
2/14/2020	2/8/2020	Apple	\$313.90	\$0.00	
2/24/2020	1/24/2020	Royal Bank of Canada	\$8.92	\$0.00	
2/24/2020	2/24/2020	Royal Bank of Canada	\$1.58	\$0.00	
2/28/2020	2/13/2020	Duke REIT	\$0.00	\$94.00	
5/22/2020	4/22/2020	Royal Bank of Canada	\$9.18	\$0.00	
5/22/2020	5/22/2020	Royal Bank of Canada	\$1.62	\$0.00	
5/31/2020	5/13/2020	Duke REIT	\$0.00	\$86.00	
8/15/2020	8/9/2020	Apple	\$53.90	\$0.00	
8/24/2020	7/24/2020	Royal Bank of Canada	\$9.18	\$0.00	
8/24/2020	8/24/2020	Royal Bank of Canada	\$1.62	\$0.00	
8/30/2020	8/14/2020	Duke REIT	\$0.00	\$86.00	
11/24/2020	10/23/2020	Royal Bank of Canada	\$9.18	\$0.00	
11/24/2020	11/24/2020	Royal Bank of Canada	\$1.62	\$0.00	

Questions?



35



YEAR-END VALUATIONS

36

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.

37

Create New Valuation



Accounting

Summary

Wizards

Securities

Buy

Sell

Create a new official securities valuation and download or enter prices for all the club's securities as of that date. This is typically only done once a month pursuant to the terms in your club's operating documents.

Step 1 : Choose a valuation date

Select the date on which you wish to value your club securities.

38



Accounting

Summary

Wizards

Securities

Buy

Sell

Cash Distribution

Reinvest

Stock split

Merger

Review/Edit Securities Valuations

Step 2 : Value securities for 12/31/2021 [What's a Quote Symbol?](#)

Symbol	Quote Symbol	Price	Shares owned on 12/31/2021	Price date
AAPL	AAPL	\$165.32	404.000000	12/31/2021
AL	AL	\$42.56	200.000000	12/31/2021
CCS	CCS	\$80.73	400.000000	12/31/2021
DRE	DRE	\$60.79	400.000000	12/31/2021
EXR	EXR	\$205.19	75.000000	12/31/2021
FAST	FAST	\$62	120.000000	12/31/2021
GILD	GILD	\$69.5	110.000000	12/31/2021
GMED	GMED	\$67.19	185.000000	12/31/2021
MLR	MLR	\$33.71	210.000000	12/31/2021
OLED1	OLED	\$150.44	80.000000	12/31/2021
OLLI	OLLI	\$53.68	100.000000	12/31/2021
ORLY	ORLY	\$661.43	110.000000	12/31/2021



Accounting

Summary

Wizards

Securities

Buy

Sell

Cash Distribution

Reinvest

Stock split

Valuation Confirmed

Step 3 : Confirmation page - security values on 12/31/2021

Symbol	Quote Symbol	Price	Shares
AAPL	AAPL	\$165.32	404.000000
AL	AL	\$42.56	200.000000
CCS	CCS	\$80.73	400.000000
DRE	DRE	\$60.79	400.000000
EXR	EXR	\$205.19	75.000000
FAST	FAST	\$62.00	120.000000
GILD	GILD	\$69.50	110.000000
GMED	GMED	\$67.19	185.000000
MLR	MLR	\$33.71	210.000000
OLED1	OLED	\$150.44	80.000000
OLLI	OLLI	\$53.68	100.000000
ORLY	ORLY	\$661.43	110.000000
PDQ-1	PDQ-1	\$0.00	100.000000



StockWatcher

My Assigned Stocks

Generate Report

StockWatcher Assignments

Club Watch List

Monthly

Unified Report

Valuation Statement

Member Status

Portfolio

Company Size

Valuation Statement





Valuation statement as of 12/31/2021 (generated on: 12/7/2021).

[Create a New Valuation](#) [Edit/Delete an Existing Valuation](#)

Choose from your club's official valuation dates: 12/31/2021 ▾

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

Start return calculations from: 9/13/1997 ▾

Submit

Security	Date first purchased	Shares owned	Cost/ share	Total cost	Price/ share	Market value	% of total	CAR since 9/13/97
Apple (AAPL)	01/25/07	404.0000	\$16.7307	\$6,759.21	\$165.32	\$66,789.28	19.0%	21.8%
Air Lease (AL)	06/15/14	200.0000	\$38.0000	\$7,600.00	\$42.56	\$8,512.00	2.4%	1.6%
Century Communities (CCS)	10/03/17	400.0000	\$36.2750	\$14,510.00	\$80.73	\$32,292.00	9.2%	38.2%
Duke REIT (DRE)	08/07/11	400.0000	\$10.9350	\$4,374.00	\$60.79	\$24,316.00	6.9%	18.8%
Extra Space Storage (EXR)	07/01/17	75.0000	\$66.8300	\$5,012.25	\$205.19	\$15,389.25	4.4%	30.3%
Fastenal (FAST)	06/13/08	120.0000	\$36.1467	\$4,337.60	\$62.00	\$7,440.00	2.1%	10.3%
Gilead Sciences (GILD)	06/02/09	110.0000	\$63.9918	\$7,039.10	\$69.50	\$7,645.00	2.2%	2.3%
Globus Medical (GMED)	07/23/20	185.0000	\$54.0500	\$9,999.25	\$67.19	\$12,430.15	3.5%	16.3%

Questions?





ALLOCATING INCOME & EXPENSES

43

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 allocated according to each partner’s percentage ownership.
 - Required by partnership tax law to track member cost basis in club (PIPE).
- Note: According to IRS, expenses **must** be allocated by capital account ownership unless otherwise specified in partnership agreement.

44

Handling ETF/Fund/REIT Distributions



- Distributions from mutual funds, ETFs & REITs are typically recorded in books as Dividends when received.
- **However**, these are usually reclassified at year-end, split into:
 - Dividends, Short-term & long-term gains, Return of capital, Interest.
- Amounts will be reported on 1099 (may be available directly from fund/REIT's website).
- Each quarterly/monthly distribution must be edited to match reported categories prior to final Allocation of Income & Expenses.
- Some amounts will be recorded during Allocation as well.


45

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.
 - Can be useful to generate preliminary allocation for members so they have advance notice of tax-related data.
 - Mark as "Preliminary" in comments field & let members know it's subject to revision when figures are validated by 1099s.

46



Accounting

Summary

Wizards

Securities

Allocate Income and Expenses

Your club currently uses time based distribution method.


Select year of allocation 2021

Comments

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


47

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.

48



Accounting

Summary


Wizards

Securities


Allocate Income and Expenses

Enter Additional 1099-DIV Information

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	<input style="width: 80%;" type="text" value="0.00"/> (Total: \$360.00)	<input style="width: 80%;" type="text" value="0.00"/>  (Total: \$0.00)

49



StockWatcher

My Assigned Stocks

Generate Report

StockWatcher Assignments

Club Watch List

Monthly

Unified Report

Valuation Statement




Member Status

Portfolio

Company Size

Sector/Industry

Allocation of Income and Expenses Report

Allocation of Income and Expenses as of 12/31/2021 (generated on: 12/7/2021).

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

Year of Allocation

2021

	Non-Qual Divs	Qual Divs	Interest	Tax-free interest	Short term cap gain	Long term cap gain	Other income	Inv. Expense	Non-inv. Expense	Foreign taxes	Charity	Total
Alphonse, Earl	\$0.06	\$0.17	\$0.00	\$0.00	\$0.00	(\$15.79)	\$0.00	(\$0.70)	\$0.00	(\$0.02)	\$0.00	(\$16.28)
Cod, Alantis	\$3.15	\$4.11	\$0.00	\$0.00	\$0.00	(\$355.44)	\$0.00	(\$38.20)	\$0.00	(\$0.62)	\$0.00	(\$387.00)
Crabb, Dungy	\$0.68	\$0.90	\$0.00	\$0.00	\$0.00	(\$77.64)	\$0.00	(\$8.26)	\$0.00	(\$0.13)	\$0.00	(\$84.45)
Dorado, Portia	\$0.59	\$0.78	\$0.00	\$0.00	\$0.00	(\$67.85)	\$0.00	(\$7.17)	\$0.00	(\$0.12)	\$0.00	(\$73.77)
Finn, Sarah	\$0.80	\$1.05	\$0.00	\$0.00	\$0.00	(\$90.94)	\$0.00	(\$9.66)	\$0.00	(\$0.16)	\$0.00	(\$98.91)
Gerlach, Doug	\$0.57	\$0.76	\$0.00	\$0.00	\$0.00	(\$65.53)	\$0.00	(\$6.86)	\$0.00	(\$0.11)	\$0.00	(\$71.17)

Completing Allocation



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

51

Questions?



52



GETTING READY FOR TAX RETURNS

53

Collect Financial Institution Documents



- Year-end statements 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) - Share of Income, Credits, Deductions, etc.
 - If club owns a LP or similar, even if trades on exchange, may have to request a filing extension.

54

Reconcile Club Data



- 1099s are complex as brokerages required to report tax basis of sold stocks (for those bought after 1/2011).
- Info on bank/brokerage 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.
- Check bank/broker totals from 1099 match totals on:
 - Capital Gains Report.
 - Allocation Report.
 - Valuation Statement.
 - Transaction Summary.

55

Provide Reports for Members



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

56

Optional Reports to Review



- Can be useful for club to review (perhaps at January meeting):
 - Portfolio Diversification Reports – how well is portfolio diversified?
 - Portfolio Benchmarking Report – how strong is portfolio performance compared to broad market?
 - Complete Journal for year – record of all transactions during year (so members understand where money is coming & going).

57

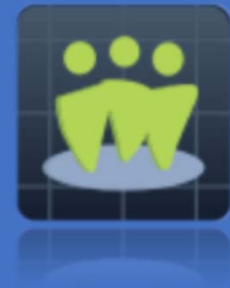
Order Club Tax Printers



- Order at www.ICLUB.com/taxes/ or call 1-877-33-ICLUB.
 - Early bird discount expires 12/31/2021.

58

Questions?



59



AUDIT THE BOOKS

60

What Is a Club Audit?



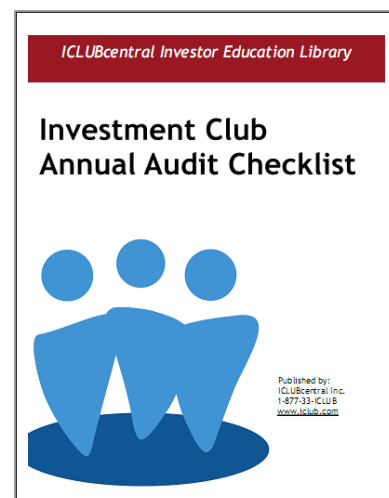
- Annual review of club's books & financial statements by committee of club members.
- Intended to discover errors or potential problems, optimally *before* filing club's tax returns.
- Required for club fidelity bond.

61

How to Audit the Books



- Use "Investment Club Audit Checklist" from ICLUBcentral.
- Download from any of these:
 - Along with handout from this webinar.
 - From ICLUB.com Club Hub (in Learning tab).
 - From your club's myICLUB.com File Storage.



62

Convene Audit Committee



- Appoint or ask 3 or 4 members to volunteer for committee.
 - Committee elects Chair.
- Can be useful if past Treasurer serves.
- Current Treasurer will provide documents & may be available for questions but is NOT member of committee.

63

Schedule Audit



- Audit Committee may choose to meet either:
 - After year-end statements are available (will have more time but may not be able to review 1099s),
- OR
- After 1099s received (but time may be short to complete task before March 15th tax deadline).

64

Treasurer Provides Documents



- Detailed reports of all club transactions in year under review:
 - Complete Journal.
 - Transaction Summary Report.
 - Member Deposits Report.
- Brokerage/bank monthly statements.
- Brokerage/bank Form 1099s.
- Brokerage trade confirmations.
- Prior-year's tax returns w/delivery confirmation or e-Filing receipt.

65

Audit Committee Meets



- Can meet in person & typically carry out audit in single afternoon,
OR
- Committee Chair divides up tasks & distributes virtually, with each member taking on assigned tasks & reporting back.

66

Review Transactions



- Choose system for comparing transactions in books to those in bank/brokerage account:
 - Review all transactions in year, OR
 - Review all transactions in selected 4-7 random months from year, OR
 - Review random assortment of all kinds of transactions, OR
 - Divide transactions by type (“Distributions,” “Member Payments & Withdrawals,” “Security buys & sells”) & assign each category to single committee member for review (good for virtual audits).

67

Special Considerations



- Always pay special attention to larger & unusual transactions.
- Ensure that member payments, fees, expenses, & timing of withdrawals matches policies in club’s operating agreements.
- Remember that even small differences in amounts can have unforeseen consequences in future years.
- Make sure prior year’s tax return was filed timely & completely.

68

If Errors Are Found



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

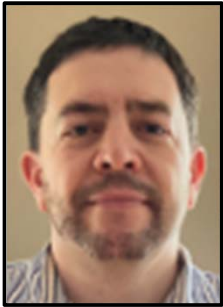
69

When Audit Is Completed



- Committee members sign & submit “Annual Verification Report.”
- Make recommendations about better procedures.
- Thank Club Treasurer for another great year!
- Keep Report with permanent club’s records.

70



GETTING HELP

71

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!*

72

