



myICLUB.com

INVESTMENT CLUB AUDIT CHECKLIST

Published by:

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Investment Club Audit Checklist

Each year, investment clubs should convene an Audit Committee of members who shall review the club's records to ensure accuracy and best practices. The following checklist is designed to assist the treasurer and audit committee in carrying out the year-end club audit.

Required Documents

From Banks & Brokerages

For each account open in year, committee should have PDFs or printed statements and reports. If club changed brokerages in year or have multiple brokerages, make sure to have documents from all.

- Trade confirmations.
- Monthly statements.
- Year-end statements.
- Form 1099s.

Reports from myICLUB

Note: Not all reports may be required, depending on whether or not the club had relevant transactions in the year.

- All Valuation Statements, including for 12/31.
- Allocation of Income & Expenses for 12/31.
- All Member Status Reports.
- Member Deposits Report & Member Unit Ledger for full year.
- Complete Journal for full year.
- Cash Journal Report for full year.
- Individual Security Ledgers for all securities owned in year.
- Realized Capital Gains Report.
- Gain/Loss Report.
- Transaction Summary Report for full year, w/dividends sub-totaled by security.
- Withdrawal Reports for all members with partial or full withdrawals in year.

From Treasurer/Secretary

- Receipts for cash expenditures.
- Monthly minutes, with security buys/sells & withdrawal approvals.
- Current operating documents (partnership agreement and/or bylaws).



Preliminary Tests

If these tests are not met, the problems should be corrected by the treasurer before continuing with the audit.

Valuation Statements & Allocations

- Valuation Statement was created & saved on consistent interval according to club's operating agreement (such as at end of every month, on last market close before club meeting, etc.).
- No more than one Valuation Statement per month plus one at year-end.
- Year-end Valuation Statement was created as of 12/31.
- Allocation of Income & Expenses was generated as of 12/31. (Allocation regenerated if any changes were made to year's transactions.)

Cash & Security Balances Match

- Cash balances at start of year agree with financial institution statements.
- # of shares of securities at start of year agree with financial institution statements. (Do not worry about minor differences in **value** of securities between myICLUB & brokerage.)
- Ending year cash balances on 12/31 Valuation Statement agree with year-end financial institution statements.
- Ending year # of shares of securities owned on 12/31 Valuation Statement agree with year-end financial institution statements.

Member Paid In Plus Earnings

- "Paid In" on year-end Member Status Report is different from "Paid In Plus Earnings" (PIPE). (Should be different except in new club that has not done first Allocation of Income & Expenses.)

Auditing Transactions

Previous Audit concluded with transactions ended: _____; this Audit begins with transactions beginning: _____. This Audit should begin on the ending date of the last completed Audit. Assign specific audit tasks to committee members, and mark any discrepancies on copy of reports or statements. Check items as they are completed.

Cash Transactions: Income

- All month-end “money-market dividends” are entered in books as cash, either as interest or money market dividends. (Exception: Money markets managed as securities have interest entered as Money Market Dividends in myICLUB Securities.)
- No security dividends entered as “cash” *except* for Money Markets.
- Month-end “interest” in brokerage account is entered as “interest.”
- Money paid in by members recorded as “member deposits” (**not** “income”).
- Money paid to withdrawn members recorded as “member withdrawal” (not “expense”).

Cash Transactions: Expenses

- All expenses are authorized & appropriate.
- All expenses are correctly recorded as investment or non-investment.
- Receipts are available for all cash expenses.
- Expenses are allocated by percentage ownership of partners (unless otherwise specified in partnership agreement).

Cash Transactions: Transfers

- Money transferred between bank, broker, DRP, or other financial institution accounts is recorded as “cash transfer” (not as offsetting expense/income transactions).
- Amounts match in both financial institution accounts.

Security Transactions: Corporate Actions

- All stock splits, mergers, & spinoffs are properly recorded.
- For mergers/spinoffs, make sure basis is adjusted correctly & matches brokerage records. (See myICLUB support page for help with these.)

Security Transactions: Buys & Sells

- Security, date, amount of all buys/sells on Transaction Summary Report match trade confirmations & brokerage statements.
- Acquisition & sale dates, cost basis, gain/loss of sold securities in myICLUB match brokerage, Capital Gains Report, Gain/Loss Reports.
- If specific lots were sold, lots in brokerage account & myICLUB records match.
- For securities that have been completely sold, no fractional shares remain on Individual Security Ledger.



Security Transactions: Dividends

- All security dividends are assigned to proper security (& not entered as Cash Transactions).
- All security dividend transactions have correct ex-dividend dates.
- On Transaction Summary Report, total dividends reported for each security under Cash & Reinvested Dividends match amounts shown on Form 1099s.

Member Transactions: Payments

- Value of single unit on Valuation Statements changes from month to month.
- All member payments are properly credited to paying members.
- All members contributing same amount in any month are credited with same number of units.
- All member payments deposited into brokerage/bank accounts.

Member Transactions: Fees

- Fees are assessed (by percentage ownership or per person) only in accordance with club operating documents.
- Fees are assessed only for penalty situations (late fees) & not to recoup expenses.
- Penalties, late fees, etc., or reimbursement for bounced check charges paid in by members are entered as “member fees” (not income or member deposits).

Member Transactions: Withdrawals

- All withdrawals processed in timely fashion & according to provisions in club operating documents.
- For each full or partial member withdrawal, Valuation Statement reflects number of shares of securities (if any) that were transferred to member.
- Withdrawal fees & cash values for each full or partial member withdrawal have been calculated & paid properly.
- No fractional units remain for fully-withdrawn member on Member Unit Ledger.



Dealing with Errors

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

Completing the Audit

- Committee members sign & submit “Annual Verification Report” to club.
- Keep Report with club’s permanent records.

References

- The myICLUB.com **Investment Club Audit Checklist** is based on a worksheet originally developed by Herb Barnett.
- To review a video of the investment club audit procedures, please visit the ICLUB-central YouTube channel at www.YouTube.com/ICLUBcentral.
- For more information on the world’s leading platform for investment club operations and accounting, visit www.myICLUB.com.



Annual Verification Report

We, the undersigned members of the Audit Committee, have reviewed the club's records and find that (*check one*):

- All records are complete and correct, *or*
- Discrepancies were found and actions were taken to correct them, as detailed below:

The members of the Committee have (*circle one*) **no** / **the following** recommendations for improving procedures:

Submitted to the club this date, _____, by the following members:

_____	_____
_____	_____
_____	_____