

## How to be GenXchange Investment Club Treasurer

The treasurer is responsible for keeping the club accounting, purchasing and selling securities, preparing the club taxes, and reporting the clubs finances. This document will provide information for potential club treasurers and assistant treasurers.

### **NAIC Online Accounting and TD Waterhouse account**

All of the clubs accounting is done through the NAIC Online Accounting software ([www.naic-club.com](http://www.naic-club.com)). All of the clubs assets are held in a separate TD Waterhouse account ([www.tdwaterhouse.com](http://www.tdwaterhouse.com)).

In order to use the club's online accounting software a few terms need to be defined and understood.

### **Bank, Broker, Suspense and Petty Cash Accounts**

All of the clubs assets are kept in a TD Waterhouse account as either stock or cash (money market) with the exception of the small amount of money in the Petty Cash fund. The assets in the TD Waterhouse account are group together as the assets of the GenXchange Investment Club. To keep track of each partner's assets we use the NAIC Online Accounting. To keep track of what the assets can be used for we use different asset accounts. The Bank account holds the assets from fees and money market interest. The assets in the bank account pay for club expenses and reimbursements. The Broker account holds the assets from member contributions and stock dividends. The Suspense account is a temporary holding place for checks that are written but not yet cashed. This is true except for checks written to a member withdrawing funds from their account, either full or partial. The Petty Cash account holds cash to pay for small, usually non-tax deductible items. The funds in the Petty Cash account are not added to the total funds of the club although there is a place to track these funds in the NAIC Online Accounting software.

### **Valuation Unit**

Each member owns a percentage of the club's total assets. To keep track of how much the member owns each member purchases valuation units when they make their monthly contribution. The club's valuation unit is like the stock price of the club. The price moves up and down and the number of total valuation units increase and decrease. When the club started in February 2000 the valuation unit was set at \$10 a unit. In late 2004 the valuation unit is about \$23 a unit. It is important to understand how the valuation unit price and total amounts can change. The total number of valuation units will increase each month when member purchase new units with their monthly contributions. If there was a total of 1000 valuation units with a valuation unit price of \$25 then the club is worth \$25,000. If one member contributes \$50, they are purchasing 2 new units at \$25 each. So, the total number of valuation units would be 1002 at \$25 for each unit for at total club worth of \$25,050. The total number of valuation units will decrease when a member withdraws funds or an expense is distributed to the partner evenly (as opposed to distributing the expense by ownership). The valuation unit price can change with the change in the price of stocks owned by the club, when fees are added, and when expenses are distributed by ownership. Using the example above where the club has 1000 valuation units at \$25 each for a total worth of \$25,000. If at the end of the month the values of the club's stocks have increased BY \$500 then the club's total worth is now \$25,500. If we divide \$25,500 by 1000 valuation units the new valuation unit price is \$25.50.

### Member Contribution

Each month members are required to make a contribution. Members write a check made out to TD Waterhouse for the amount of their contribution and any outstanding fees. The treasurer must keep track of how much of the check will go towards the member's contribution and how much to fees and if any of the fees were paid in cash. Currently, the following form is used to keep track of each member's contribution and fees.

Partner	Contribution	Fee Chk	Fee Cash	Notes
Ross Geller	\$98.00	\$2		Late SSG fee paid in cash
Monica Geller-Bing	\$25.00			
Rachel Green	\$50.00		\$5	Late payment fee
...				

At the meeting each check should have the TD Waterhouse account number written or stamped on the front of the check and also on the back of the check along with the words 'For deposit only'. Before depositing the check the treasurer should make photocopies of each check (3 or 4 per page) to keep in the treasurer binder. The photocopies are used to handle questions about checks received and are used in the annual audit.

Enter the amount of the contribution under the Accounting tab>Members>Deposits

1. Enter the date. Contributions are always made on the 1<sup>st</sup> of the month regardless of when they were received during the month.
2. Contributions are always made to the Broker Account.
3. Enter each member's contribution. Double check the total contribution amount.
4. Enter a comment (i.e., "Monthly Contributions – TB"). Add your initials at the end of any comment.
5. Press the Submit button.

After making copies of each check, create the following form to include with the TD Waterhouse deposit. The deposits can be either taken to the TD Waterhouse office or mailed to;

TD WATERHOUSE  
SAN DIEGO PROCESSING CENTER  
PO BOX 919039  
SAN DIEGO CA 92191-9779

Prepaid envelopes can be picked up at the TD Waterhouse office or requested from the above address.

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7 September 2004

Account 123-45678-9-0  
GenXchange Investment Club

<b>Partner</b>	<b>Check #</b>	<b>Amount</b>
Ross Geller	4001	100.00
Monica Geller-Bing	2456	25.00
Rachel Green	9454	50.00
Tom Treasurer	254	5.00
<b>Total – 4 Checks</b>		<b>180.00</b>

{Treasurer's Return Address}  
{Treasurer's Phone Number}

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Only send checks to TD Waterhouse not cash. If cash needs to be deposited the treasurer should write a personal check for the amount of cash and keep the cash.

#### **Member Fees**

Enter any member fees under the Accounting tab>Members>Member Fee

1. Enter the date. Fees are usually made on the 2<sup>nd</sup> of the month regardless of when they were received during the month.
2. Fees are always made to the Bank Account.
3. Enter each member's fees. Double check the total contribution amount.
4. Enter a comment with the member's initials describing the reason for each fee (i.e., "RGe – Late SSG, RGr – Late contribution – TB"). Add your initials at the end of any comment.
5. Press the Submit button.

#### **Awards and Reimbursements**

Occasionally a member will receive an award or reimbursement from the club. This comes at the expense of the members and is always paid from the funds in the Bank account. There are two ways to payout awards and reimbursements. One is to add the funds to the member's capital account and the other is to pay them with a check.

#### Check Payment

1. Write the member a check updating the checkbook ledger.
2. Go to the Accounting tab>Cash Accounts>Record Cash Transfer Between Accounts
3. Enter the date, amount of check, select Bank as the Source account and Suspense as the Destination account.
4. Enter a comment with the payee, check number and reason (i.e., Check 155 to Ross Geller for Treasurer Class reimbursement – TB". Add your initials at the end of any comment.
5. Press the Submit button.

When the check clears the TD Waterhouse account the check will be expensed (see the member expenses section below).

#### Deposit into a Member's Capital account

1. Go to the Accounting tab>Cash Accounts>Record Cash Transfer Between Accounts
2. Enter the date, amount of award, select Bank as the Source account and Suspense as the Destination account.
3. Enter a comment with the members name and reason (i.e., "Rachel Green stock selection award – TB"). Add your initials at the end of any comment.
4. Press the Submit button.
5. Go to Accounting tab>Cash Accounts>Record Account Expense.
6. Enter the date, amount, select the Suspense account, select the appropriate tax status, and select the appropriate distribution method.
7. Enter a comment with the members name and reason (i.e., "Rachel Green stock selection award – TB"). Add your initials at the end of any comment.
8. Press the Submit button.
9. Go to the Accounting tab>Members>deposits.
10. Enter the date. Awards are entered on the date they are received unless they received on the same date as the regular member contributions, fees, or at the end of the month. Do not enter a date that was already used for the member's contributions, fees, a member withdrawal or when the valuation unit price is set.
11. Select the Broker account; enter the amount next to the member's name.
12. Enter a comment with the reason for the deposit (i.e., "Rachel's stock selection award – TB"). Add your initials at the end of any comment.
13. Press the Submit button.

#### **Member Expenses**

Occasionally, the club will need to pay for expenses (i.e., cleared checks, awards, etc.). Expenses are distributed to members either evenly or by member ownership. Most expenses are distributed by percent of ownership. If each member receives the same value from the expense then expense it evenly (i.e., picnic and banquet expenses, NAIC dues, etc.) otherwise expense it by percent of ownership (i.e., insurance bond, reimbursement, supplies, etc.). Almost all expenses are expensed from the Suspense account. If needed, transfer the amount to expense from the appropriate account into the Suspense account before expensing. If the expense is for the business of the club then it is tax-deductible. Picnic and banquet expenses are not considered business expenses and are not tax-deductible.

1. Go to the Accounting tab>Cash Accounts>Record Account Expense.
2. Enter the date, amount, select the account (usually Suspense), select the appropriate tax status, and select the appropriate distribution method.
3. Enter a comment with the reason for the expense (i.e., "Quarterly TD Waterhouse fee – TB"). Add your initials at the end of any comment.
4. Press the Submit button.

#### **Dividend, Interest and Foreign Taxes**

Each month the treasurer will need to review the TD Waterhouse statement for dividends and interest credited to the account. Dividends are usually paid for stock owned and are paid into the Broker account. Interest is usually paid for cash in the Money Market fund and is paid into the Bank account. Occasionally, foreign taxes are withheld for foreign stocks and ADRs. The dividend amount is usually the total dividend amount minus any foreign tax (i.e., \$9.45 dividend with \$0.95 foreign tax is actually a \$8.50 dividend).

### Recording Dividends

1. Go to the Accounting tab>Securities>Record cash dividend.
2. Enter the date of distribution – see TD Waterhouse statement.
3. Enter the Ex-Dividend date - is two trading days before the record date and typically between two and five weeks before the payment (transaction) date.
4. Select the stock symbol, dividend amount, Broker account, and Dividend type.
5. Enter a comment with the exact text from the TD Waterhouse statement (i.e., “GIBRALTAR STEEL CORP CASH DIV ON 28 SHS RECORD 04/01/04 PAY 04/08/04. TB”). Add your initials at the end of any comment.
6. Press the Submit button.

### Recording Money Market Interest

1. Go to the Accounting tab>Cash Accounts>Record money market dividends.
2. Enter the date of the interest income – see TD Waterhouse statement.
3. Enter the amount, Bank account, and Tax status (most interest is Taxable).
4. Enter a comment with the exact text from the TD Waterhouse statement (i.e., “TD Waterhouse Bank Money Market Account Monthly Interest. TB”). Add your initials at the end of any comment.
5. Press the Submit button.

### Recording Foreign Tax

1. Go to the Accounting tab>Securities>Record foreign tax.
2. Enter the date of the tax, the symbol, and amount.
3. Enter a comment explaining the tax (i.e., “BP PLC SPONSORED ADR FOREIGN TAX WITHHELD. DIV 9.45 - .95 taxes. TB”). Add you initials at the end of any comment.
4. Press the Submit button.

### **Member Withdrawal**

Members may withdraw funds from their account or my quit the club and withdraw all their funds. This section will explain the steps to a full withdrawal of a member. Members are withdrawn on the second to last day of the month in which their completed paper word is received. A completed withdrawal request received on August 14<sup>th</sup> will be have withdrawal date of August 30<sup>th</sup>. Only one withdrawal is performed per day and is never performed on the same day the valuation price is set – usually the last day of the month. If more than one withdraw request is received in the same month then they will be processed in the order received starting two days before the end of the month (i.e., if one withdrawal request is received on August 14<sup>th</sup> and another on August 20<sup>th</sup> the August 14<sup>th</sup> request will have an effective withdrawal date of August 29<sup>th</sup> and the August 20<sup>th</sup> request will have an effective withdrawal date of August 30<sup>th</sup>. The valuation unit price will be set on August 31<sup>st</sup>).

1. Go to the Accounting tab>Members>withdrawal.
2. Select withdrawal type – usually Full.
3. Enter the effective withdrawal date.
4. Press the Continue button.
5. Enter the percent penalty. The percent penalty is defined in the bylaws. If a member with voted out of the club the penalty is 10% regardless of their time in the club. If the member voluntarily withdraws from the club their percent penalty is based on their time in the club and their age. See the bylaws for the correct amount.
6. Enter any outstanding fees in the withdrawal fee section.
7. Withdrawals are transferred from the Broker account.
8. Enter a comment with the member’s name, and type of withdrawal (i.e., “Full voluntary withdrawal for Chandler Bing. TB” ). Add your initials at the end of any comment.
9. Press the Submit button
10. The club has up to 120 days to pay the withdrawing member. Once the funds are available write the member a check.

11. Mail the check along with a copy of the withdrawal report (NAIC Online Accounting>Reports>Other Reports>Withdrawal distribution report and the withdrawal letter (see below).

GENXCHANGE INVESTMENT CLUB  
1103 BARKLY CT PEARLAND, TX 77581  
CELL#: 832.555.1212 WORK#: 713.555.1212

November 6, 2003

Joey Tribianni  
P.O. Box 1234  
Houston, TX 77001-1234

Dear Joey,

This letter serves as a final notice of payment as a member of the GenXchange Investment Club. Please find a check for \$ 1232.29 enclosed.

In accordance with the partnership agreement and by-laws, all previously assessed fees and any processing fees were deducted from the final payment of your capital account. All dues and other membership fees are non-refundable.

Please read the partnership agreement and by-laws for terms and conditions. This payment ends your status as a member of GenXchange Investment Club. All tax liabilities remain.

Should you feel this payment notice is an error, you have 30 days to submit written cause to the club for review.

Sincerely,

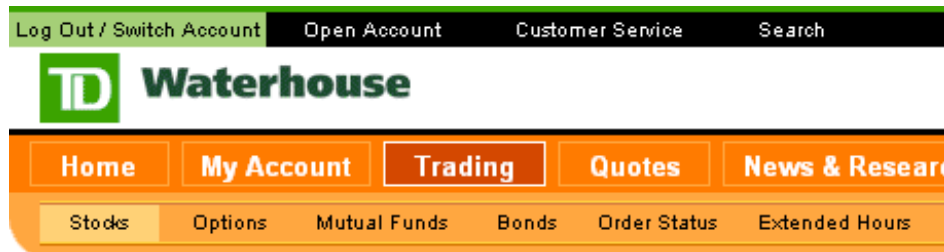
{Your Name}  
Treasurer  
GenXchange Investment Club

## Purchasing and selling stocks

When the club votes to purchase or sell stock the treasurer should process the order within seven days of the vote. The stock purchase or sell will be handled online through TD Waterhouse. The purchase or sell then needs to be recorded in the NAIC Online Accounting software.

### Purchasing stock

1. Go to TD Waterhouse>Trading.
2. Enter Order to Buy, Number of Shares, Symbol, Order Type (usually Market Order), Stop and Limit Price if applicable, Time Limit (usually Good for the Day), select account number, enter your Telephone number.
3. Press Preview Order Button.
4. Preview order then press the Confirm button.



### Trading: Stocks

Order to:	<input type="text" value="Buy"/>	<input type="button" value="v"/>
Number of Shares:	<input type="text"/>	<input type="checkbox"/> All or None
Symbol:	<input type="text"/>	
Order Type:	<input type="text" value="Select an Order Type"/>	
Stop Price:	<input type="text"/>	
Limit Price:	<input type="text"/>	
Time Limit:	<input type="text" value="Good for the Day"/>	
Account Type:	<input type="text" value="Please Select Account"/>	
Telephone #:	<input type="text"/>	Ext. <input type="text"/>
<input type="button" value="Preview Order"/>		<input type="button" value="Clear"/>

5. Go to NAIC Online Accounting.
6. Go to the Accounting tab>Securities>Record purchase of security.
7. Enter date, symbol, shares, cost per share, commission (includes SEC fees), other fees, if applicable and Broker account.
8. Enter a comment describing purchase (i.e., "Purchase 100 shares HMA. TB"). Add your initials at the end of any comment.
9. Press the Submit button.

### Selling stock

1. Go to TD Waterhouse>Trading.
2. Enter Order to Sell, Number of Shares, Symbol, Order Type (usually Market Order), Stop and Limit Price if applicable, Time Limit (usually Good for the Day), select account number, enter your Telephone number.
3. Press Preview Order Button.
4. Preview order then press the Confirm button.
5. Go to NAIC Online Accounting.
6. Go to the Accounting tab>Securities>Record sale of security.
7. Enter date and symbol.
8. Press the Continue button.
9. Enter shares sold, total proceeds, commission, Select Broker account.
10. Enter a comment describing sale (i.e., "Sold 21 shares BP at 52.60 a share. 17.95 commission and 0.03 SEC fee. TB"). Add your initials at the end of any comment.
11. Press the Submit button.

### **Valuation Statement**

The valuation unit price is set on the last day of each month. Once the TD Waterhouse statement is received the valuation statement can be created.

1. Go to NAIC Online Accounting.
2. Go to Reports.
3. Under General Reports select Valuation Report and click the View Report button.
4. Click [the create a new valuation](#) link.
5. Enter the date (usually the last day of the month) and press the Continue button.
6. Enter the stock prices that are on the TD Waterhouse statement. Occasionally the prices suggested by NAIC Online and TD Waterhouse differ. Use the price on the TD Waterhouse statement.
7. Press the Submit button.
8. Review the report and print out copies for the Treasurer binder and to share with the members at the next meeting.

### **Taxes**

The clubs taxes are due prior to March 15<sup>th</sup> of each year. The clubs taxes will create the member's K1 forms and the 1065 form. The optional tax software should be purchased as soon as it is offered by NAIC Online offers. The taxes can be prepared anytime after the January TD Waterhouse statement is received as long as all of the prior years accounting items have been entered.

1. Purchase the NAIC Online Tax software.
2. Go to NAIC Online Accounting.
3. Go to the Accounting tab>Utilities>Backup Manager.
4. Click the Make Backup button.
5. Go to the Accounting tab>Utilities>Distribute Earnings.
6. Select the prior year.
7. Enter a comment (i.e., "2003 distribution of earnings – TB"). Add your initials at the end of any comment.
8. Press the Yes button.
9. Go to the Taxes tab and follow the instructions.
10. Print out two complete copies of the tax report including the 1065, all the K1s and any other forms.
11. Mail the individual K1s to each member (including frozen and ex-members).
12. Mail the complete tax report including the 1065, all the k1s and any other forms to;  
IRS, Ogden UT 84201-0046



## Balancing the Books

Each month the TD Waterhouse statement and the clubs valuation report should be balanced against each other. Any withdrawal check that has not been cashed will make the books not balance and a statement conflict form will need to be created and kept next to the monthly valuation statement. Below is a sample statement conflict form.

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**October 31, 2003**

Checks not cleared (add to amount in Suspense on Valuation Statement to reconcile with TD Waterhouse Statement).

<b>Date</b>	<b>Payee</b>	<b>Reason for payment</b>	<b>Amount</b>
10/29/2003	Joey Tribiani	Withdrawal	1232.29
10/30/2003	Phoebe Buffet	Withdrawal	824.91
<b>TOTAL</b>			<b>2057.20</b>

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Compare the following. Each value should match to the penny.

	<b>Valuation Statement</b>	<b>TD Waterhouse Statement</b>
<b>1.</b>	Totals Market Value of Stocks	Stocks section of Portfolio Value Summary for this period.
<b>2.</b>	Cash Accounts Total (add any outstanding checks from the statement conflict form).	Money Market Fund of the Portfolio Value Summary for this period.
<b>3.</b>	Total Value of Portfolio	Total Portfolio Value of the Portfolio Value Summary for this period.

1. If the values are not the same in this section. Check the stock prices and shares entered on the valuation statement match those on the TD Waterhouse statement.
2. If the values are not the same in this section. Make sure you have added any amount from the conflict statement report. Make sure you have not forgotten to enter an expense or cleared check from the TD Waterhouse report into the NAIC Online Accounting.
3. If the values are not the same in this section check sections 1 and 2.

## Annual Audit

The books are audited once a year. As treasurer you are required to participate in the annual audit by providing the auditors with access to all the clubs books. To make the audit go quickly and smoothly all the prior years books should be in a separate binder. The binder should be separated into twelve months with each month containing the valuation statements, statement conflict report, TD Waterhouse statement, copies of member's checks, deposit forms, and monthly contribution and fees report. The current year's binder should also be available for inspection along with the clubs checkbook. The auditors can also ask you to log onto the NAIC Online Accounting and/or TD Waterhouse accounts for verification. The treasurer should not give the TD Waterhouse password to the auditors unless the auditor is an assistant treasurer or the club's president. The treasurer should remain with the auditors while they verify the online accounts.

## Quarterly Individual Accounting Report

The treasurer should provide quarterly individual accounting reports to each member during the April, July, October and January meetings. The report has two sides. The front side is the same for each member. The reverse side contains the partner's information.

The front side contains the last quarters valuation information, stock purchased and/or sold during the quarter and expenditures.

### [Front of Quarterly Individual Accounting Report]

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## Quarterly Individual Accounting Report

### Valuation

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As of 06/29/2004			
Company	Shares Owned	Share Price	Total Value
CAKE	50	39.60	1,980.00
CSCO	34	23.71	806.14
DELL	46	35.65	1,639.90
HMA	100	21.90	2,190.00
ORLY	100	46.18	4,618.00
ROCK	28	34.69	971.32
TSS	30	21.40	642.00
			<b>12,847.36</b>

Bank Account	736.06
Broker Account	4097.21
Suspense Account	24.50
Total Cash Amount	<b>4,857.77</b>

Total Value **17,705.13**

Petty Cash Account	27.75
Valuation Unit (05/31/04)	24.173

### Stocks Bought and Sold

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04/05/2004 – Sold 21 shares BP at 52.60 share. Commission 17.95. SEC Fee of .03.  
Total receipt = \$1,086.62.

04/05/2004 – Sold 18 shares MW at 27.98 share. Commission 17.95. SEC Fee of .02.  
Total receipt = \$485.67.

### Expenditures

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Check	Date	Payee	Amount	Notes
149	05/06	Ross Geller	49.00	NAIC Online Accounting
150	06/29	NAIC	24.50	Jan & Peter's membership

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The back side of the Quarterly Individual Accounting Report contains the total amount of contributions and fees received by the club as well as the contribution and fees received by the individual partner.

[Back of Quarterly Individual Accounting Report]

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**Contributions and Fees**

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**Total for all partners**

<b>Month</b>	<b>Contrib.</b>	<b>Annual. Fee</b>	<b>Other Fees</b>	<b>Notes</b>
Apr	280.00	0.00	0.00	
May	709.00	200.00	21.00	
Jun	413.00		7.00	
<b>Qtr Total</b>	<b>1,402.00</b>	<b>200.00</b>	<b>28.00</b>	

Rachel

<b>Month</b>	<b>Contrib.</b>	<b>Annual. Fee</b>	<b>Other Fees</b>	<b>Notes</b>
Apr	25.00	0.00	0.00	
May	28.27	0.00	2.00	Late SSG fee.
Jun	25.00	0.00	0.00	
<b>Qtr. Total</b>	<b>78.27</b>	<b>0.00</b>	<b>2.00</b>	

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