THE BARATELLI INSTITUTE

MENTORING AT SCALE

The Baratelli Standard for Family Financial Statements

One format for what a family owns, what it owes, and what it is worth today

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The Baratelli Standard for Family Financial Statements
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The Standard is a presentation framework. It is not legal, tax or investment advice, and it does not provide assurance on any financial statement. Tax rates cited are United States federal rates for 2026 tax years, measured November 23, 2026; apply the rates in effect for the period being reported. FASB Accounting Standards Codification® references are to the Codification as of November 2026.

Illustrations use a made-up family, the Hollis family; every name, company and figure in them is invented.

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Foreword

Every public company in America reports on the same statements, under the same names, in the same order. A banker in Chicago can open the annual report of a company in Phoenix and find the balance sheet in seconds, read the income statement without a glossary, and trust that the cash flow statement reconciles to the change in cash. That shared format is one of the quiet achievements of modern finance. It took the profession most of the twentieth century to build.

Wealthy families have nothing like it. A family with a revocable trust, an operating company, two rental buildings, a brokerage account, a private fund, a painting on loan to a museum and a family office to run it all receives a drawer full of documents each month: custodian statements, bank statements, a K-1 in the spring, an insurance schedule at renewal, an appraisal from three years ago, and a spreadsheet someone in the office keeps by hand. Each document is accurate about its own corner. None of them answers the question the family, its trustees, its attorneys and its lenders actually ask:

What does this family own, what does it owe, what is it worth today, and how do we know?

The answer matters more than most families realize. It decides whether an estate plan works, whether an insurance program covers what it should, whether a loan gets made on good terms, whether the next generation inherits a clear picture or a puzzle, and whether a family that believes it is worth fifty million dollars is in fact worth forty-one once the taxes on its gains are counted.

The Baratelli Standard for Family Financial Statements answers that question in one format. It sets out the statements a family should receive every month, what each must contain, how each value is measured and dated, how the deferred tax on unrealized gains is computed and explained, and how the whole package is written so that a beneficiary, a trustee or an estate attorney can read it without an accountant at their elbow.

The Standard does not replace the accounting profession's rules. It builds on them. A package prepared under this Standard includes a statement of financial condition that follows FASB ASC 274, *Personal Financial Statements*. It includes books kept entity by entity and consolidated the way businesses are, with intercompany balances eliminated. Where a CPA firm prepares the package, it follows the AICPA's standards for prepared financial statements. The Standard then adds what the existing rules leave open: a required package in a required order, a measurement date beside every estimate, a refresh period for every kind of estimate, a deferred tax computed item by item with the notes that put it in context, a treasure asset schedule with its insurance, and plain-language explanations beside the standard statement names.

This is a working guide, not a summary. Each requirement is followed by the reasoning behind it, how to apply it, an example drawn from a complete sample package, and the mistakes we see most often. A family office controller should be able to build a first package from this book alone. A family member should be able to read the guidance and know what to ask for.

The Institute publishes the Standard free of charge. Any family, family office, accounting firm or advisor may use it, so long as the statements say so and follow it in full. We will revise it as practice teaches us, and every edition will say what changed.

The Baratelli Institute November 23, 2026

How to use this book

The Standard is organized the way a package is built.

Part One sets the purpose, scope and authority of the Standard, and where it sits among the rules of the accounting profession. Read it once.

Part Two states the ten principles. Every requirement in the book follows from one of them. When a situation is not covered by a specific requirement, the principles decide it.

Part Three describes the package statement by statement, A through Q. Each statement has its requirements, the reasons for them, a layout, a worked example from the Hollis family sample package, and common mistakes.

Part Four covers measurement: how each kind of asset and liability is valued, how often each estimate must be refreshed, and, at length, how the deferred tax on unrealized gains is computed and explained.

Part Five covers presentation and preparation: names, numbers, dates, the monthly close, the support file, the engagement and the statement about assurance.

Part Six works through special situations: a death in the family, divorce, fractional and discounted interests, loans within the family, foreign holdings, digital assets, and the year a business is sold.

Part Seven reproduces the Hollis family package, one illustration for each statement.

Parts Eight through Ten give the compliance checklist, the definitions, and a step-by-step plan for adopting the Standard.

Throughout the book, **requirements** are stated in the present tense ("the package shows..."). Guidance that explains or illustrates a requirement is labeled as such. Where a requirement uses a figure that changes over time, such as a tax rate or an exemption amount, the figure carries the date it was measured.

The Hollis family

The examples follow one made-up family, the Hollis family, at October 31, 2026. James and Anna Hollis own, directly and through ten entities:

- **Hollis Family (personally held):** their own checking accounts, a primary residence, personal vehicles, retirement accounts, and several watches, jewelry and a print held outside any entity.
- **Hollis Treasury LLC:** cash management: concentration account, money market fund and treasury bills. It owns **Harbor View Holdings LLC**, an apartment building bought in 2026.
- **Hollis Capital Partners LLC:** the family's brokerage account and two private fund interests.

- **Heritage Collection LLC:** the art, wine and collector cars.
- **Hollis Family Office LLC:** the family office's staff and expenses.
- **Riverbend Supply Co.:** an operating company, a wholesale distributor, owned 60 percent by the family and 40 percent by the dynasty trust.
- **Riverbend Properties LLC:** Maple Court Apartments, owned by the **Hollis 2012 Dynasty Trust**.
- **Hollis Children's Trust:** a separate trust for their son, Marco.

At October 31, 2026, the family's net worth at book value is $42,563,538. At estimated market value, after $731,036 of estimated income taxes on unrealized gains, it is $44,710,263. Every name, company and figure is invented. The pages of their package appear in Part Seven.

Part One. Purpose, scope and authority

1.1 Purpose

The Standard sets a common format for the financial statements of a family and the entities it controls, so that:

1. The family sees its entire financial position in one place, every month.
2. Every reader of the statements, whether a family member, a trustee, an attorney, a lender, an insurer or a tax preparer, finds the same statements in the same order under the same names.
3. Every estimated value shows where it came from and when it was measured.
4. The tax that would be due on the family's unrealized gains is measured and shown, not left for the family to discover at a sale or a death.
5. The family knows how much more it could borrow against what it owns, without selling anything.
6. Nothing is counted twice, and nothing the family owns is left off.

Guidance. Families usually come to a format like this for one of four reasons. A parent dies and the executor cannot assemble a picture of the estate. A lender asks for a personal financial statement and the one the family has is a page of round numbers. An insurance claim reveals that a painting was insured for a third of its value. Or the next generation joins the family's meetings and asks a question no one can answer. Each of those moments is expensive. The Standard exists so that the answer is already on the table, every month, before anyone has to ask.

1.2 Scope

The Standard applies to a **family reporting group**: one or more related individuals and every entity, trust, account and asset they own or control, presented together. A family reporting group may be as small as a married couple with a revocable trust, or as large as several generations with an operating company, real estate entities, dynasty trusts, a foundation and a family office.

The Standard applies whether the statements are prepared by the family's own staff, by a family office, or by an outside accounting firm.

Guidance: drawing the boundary. The family decides, in writing, who and what is inside the reporting group. The usual rule is control: include every entity the family members control, alone or together, and every trust in which a family member is a grantor, a trustee with investment authority, or a current beneficiary whose distributions the family directs. Then apply three tests.

- **Would a reader be misled if it were left out?** A dynasty trust that owns the family's largest building belongs inside, even though no family member owns it outright, because leaving it out would hide where much of the family's wealth sits.
- **Is it a separate family's wealth?** A trust for a married child who now runs his own household may belong in that child's reporting group, not the parents'.
- **Is it a charity?** A private foundation is controlled by the family but its assets are not the family's. Include it as its own column in the consolidating statements, marked as a charity, and exclude it from net worth. Part Six explains how.

Write the boundary down on the "How to read" page and change it only by a dated decision, so that the next reader knows why net worth moved when a trust came in or went out.

Guidance: one person or several. ASC 274 allows statements for one individual, a husband and wife, or a family. A package under the Standard covers the family reporting group as a whole. Where a lender or a court needs one person's position alone, the books can produce it, because each person's own accounts are an entity in the books; the package itself stays whole.

1.3 Relationship to other standards

The Standard is a presentation framework. It sits on top of three bodies of professional literature and does not override any of them.

Source	What it governs	How the Standard uses it
FASB ASC 274, *Personal Financial Statements*	Statements of individuals and families: assets at estimated current value, liabilities at estimated current amounts, estimated income taxes on the difference from tax basis, net worth	Statement B (the statement of financial condition) and Statement C (changes in net worth) follow ASC 274
FASB ASC 810, *Consolidation*, and ASC 820, *Fair Value Measurement*	How related entities are combined and intercompany balances eliminated; how fair value is measured	The entity books and the consolidated and consolidating statements (Statements E through H) follow the same mechanics
AICPA Statements on Standards for Accounting and Review Services (SSARS), including AR-C 70, *Preparation of Financial Statements*, and the AICPA Guide *Preparation, Compilation, and Review Engagements*, Chapter 5, on personal financial statements	What a CPA must do, and must say on the statements, when engaged to prepare, compile or review them	Section 5.9: every page of a package prepared by a CPA firm without assurance carries the statement that no assurance is provided

Where the Standard is silent, the professional literature governs. Where the Standard asks for more than the literature requires, as it does with measurement dates, refresh periods, the deferred

tax schedule and its note, and the plain-language notes, the Standard's additional requirements apply.

Guidance: why two bases. ASC 274 puts everything at estimated current value. Business accounting keeps most assets at cost. A family needs both. The entities that make up the family (an operating company, a rental LLC, a family office that runs payroll) keep books at cost, because their tax returns, their lenders and their own management depend on it. The family as a whole needs to know what it is worth today. The Standard therefore keeps the books at cost, builds the consolidated statements from them, and then carries the family to estimated current value in Statements B and J, showing exactly how one becomes the other. A reader who trusts the books can see how the estimates were added; a reader who wants today's values can see what they rest on.

Guidance: what ASC 274 says that families most often miss. Four of its requirements are routinely ignored in homemade personal financial statements, and each one changes the answer:

1. **Estimated income taxes.** The statement of financial condition shows the estimated income taxes on the difference between the estimated current values of assets and their tax bases, as if the assets were sold. Section 4.4 covers this at length.
2. **Business interests as one amount.** An investment in a closely held business that is a large part of the family's assets is shown as a single net amount at estimated current value, not consolidated line by line.
3. **No current and noncurrent split.** Assets and liabilities are presented by order of liquidity and maturity.
4. **Disclosures.** The statements disclose the methods used to determine the estimated current values, the nature of the family's interest in each closely held business, and other matters a reader needs. Statement K and the notes carry these.

1.4 What the Standard is not

The Standard is a format for statements. It is not an audit, a review, a certification or a seal. Statements prepared under the Standard are the family's own statements, built from the family's records. A statement that a package "follows the Baratelli Standard" tells the reader how the package is organized and measured. It does not tell the reader that anyone has examined the figures.

Guidance. A lender that needs assurance asks for a review or an audit by a firm that performs them. Many lenders accept prepared personal financial statements with the borrower's signature and supporting statements; the Standard makes those statements easier to rely on because every estimate shows its source and date. Nothing in the Standard should be described to a reader as verification.

1.5 Who reads the package

A package is read by people with very different questions. The Standard is written so that each finds the answer quickly.

Reader	The question they bring	Where they look first
The family	Are we all right, what could we raise if we needed it, and what do we need to decide?	Statement Q, then Statements C and P
Heirs and beneficiaries	What is there, who owns it, and how does it pass?	Statement D, then Statement B
Trustees	What does my trust own, what did it earn, and what did it distribute?	Statement H, the trust's column
Estate attorneys	What is in the estate, what is outside it, and what is the tax?	Statements D, B and the deferred tax note
Lenders	What is the family worth, how liquid is it, what does it owe or guarantee, and how much more could it borrow?	Statements B, K, N and P
Insurers and brokers	What is each valuable worth, where is it, and is it covered?	Statements L and M
Tax preparers	What income was earned, by which entity, and what was sold?	Statements F and H, and the support file

1.6 Effective date and editions

This First Edition is effective for packages covering periods beginning on or after January 1, 2027. Earlier use is encouraged.

Each edition is numbered and dated. A package names the edition it follows (Section 5.10). When a new edition is published, a family may continue with the edition it adopted until the first period beginning on or after the new edition's effective date.

Part Two. The ten principles

Every requirement in Parts Three through Six follows from ten principles. When a situation is not covered by a specific requirement, apply the principle.

Principle 1. One family, one set of books

Every entity in the family reporting group keeps its own ledger, and all of the ledgers live in one system. The family's position is assembled from the books, not retyped from statements into a spreadsheet.

Why. A spreadsheet assembled from statements can only be as current as the last time someone retyped it, and it cannot prove that it is complete. Books kept in one system can be reconciled to every bank and custodian statement, closed each month, and consolidated by arithmetic. When a question comes ("what did the family spend on the house last year?"), the answer is a report, not a project.

In practice. The Hollis family's ten entities, including James and Anna's personal accounts, are each an entity in one set of books in Baratelli Bankable. Each month every bank, brokerage and loan account in every entity is reconciled before the package is prepared.

Principle 2. Every entity, every account, every asset

The package names every entity, trust and account in the family reporting group. An asset held outside the books, such as a watch in a safe deposit box or a coupe in a garage, still appears in the statement of financial condition and the treasure asset schedule.

Why. The most common error in family statements is not a wrong number but a missing one. A watch collection kept at home, a note from a nephew, a deposit on a condominium, a commitment to a fund: each is real, and each is easy to forget. A statement that leaves them off overstates or understates the family, and nobody can tell which.

In practice. The Hollis package lists a 1968 chronograph, a diver's watch, an engagement ring and a print that are held personally, outside any entity's books. They appear in Statement L with their values and dates, and in Statement B in the market value column.

Principle 3. One chart of accounts

Every entity posts to the same account numbers. Consolidation is then arithmetic, not a mapping exercise someone performs by hand each month.

Why. Where each entity keeps its own chart of accounts, consolidation means translating ten charts into one every month, and the eliminations column becomes the place where errors hide.

One chart turns the consolidated balance sheet into a sum.

In practice. An account that one entity does not use simply stays at zero in that entity. The family office's payroll accounts exist in every entity's chart but carry balances only in Hollis Family Office LLC.

Principle 4. Standard names, plain language beside them

Statements keep their standard names (balance sheet, income statement, statement of cash flows, statement of financial condition) and their standard headings (assets, liabilities, net worth). A short plain-language note tells a reader who is not an accountant what each statement shows and what to look at first.

Why. Bankers, attorneys and trustees read standard statements every day and expect to find things where they always are. Renaming the balance sheet "What we own" helps no one; it makes the professional reader hunt and the family reader no wiser. The plain-language note does the teaching, beside the statement, without changing it.

Principle 5. Two values, side by side

The books carry assets at cost, as accounting rules require. The statement of financial condition carries them at estimated current value, as ASC 274 requires. The package shows both and reconciles one to the other.

Why. Cost alone understates a family whose buildings and art have risen in value, and it says nothing about what an heir would actually receive. Estimated value alone floats free of the records, and nobody can check it. Shown side by side and reconciled line by line, each one keeps the other honest.

Principle 6. Every estimate carries its date and its source

No estimated value appears without the date it was measured and the document it came from. An estimate older than its refresh period (Section 4.2) is flagged on the face of the package.

Why. "The painting is worth $262,000" means little. "The painting was appraised at $262,000 for insurance on May 2, 2026" can be weighed, questioned and relied on. A date also shows when an estimate has gone stale, which is the first sign that the family's net worth is a memory rather than a measurement.

Principle 7. Taxes are part of the truth

Net worth at estimated current value is stated after the deferred tax on unrealized gains: the estimated income taxes on the difference between those values and their tax bases. For many

families it is the largest liability they have. A family that is "worth" a number before tax is not worth that number.

Why. A building bought for $2 million, depreciated to $1 million and now worth $9 million is not $9 million of wealth. A sale would trigger close to $2 million of federal tax before any state tax. The tax is real, it is large, and it falls due the day the asset is sold. Leaving it off the statement is the single largest overstatement in most homemade personal financial statements.

Principle 8. Nothing counted twice

Intercompany balances, investments in subsidiaries, and management fees, rent and other charges between family entities are eliminated, and the eliminations column is shown, so a reader can see what was removed and why.

Why. When Hollis Treasury LLC lends $1,500,000 to Harbor View Holdings LLC, the family is no richer and no poorer. The loan is an asset of one entity and a liability of another. Without the elimination, the consolidated balance sheet would show $1,500,000 more in assets and $1,500,000 more in liabilities than the family has. Net worth would be unchanged, but every ratio a lender looks at would be wrong.

Principle 9. Reconciled every month

Every bank, brokerage, loan and card account is reconciled to its statement each month before the package is prepared. The package says that it was.

Why. An unreconciled balance is a guess. A package built on guesses is a well-formatted guess. Reconciliation is the step that turns records into evidence.

Principle 10. Written for the reader who is not an accountant

The family's heirs, trustees and attorneys are the people who will one day rely on these statements. The package is written for them.

Why. The person who most needs to understand the family's statements is usually not the person who reads them today. It is the daughter who becomes a trustee at forty, the son-in-law named executor, or the estate attorney meeting the family for the first time. A package that only its preparer can read has failed the readers who matter most.

Part Three. The family package

3.1 The required statements

A package prepared under the Standard contains the following, in this order. A section with nothing to report says so in one line; it is not dropped, so a reader can see that it was considered.

Ref	Statement or schedule	Basis	Frequency
A	Cover, contents and how to read this package	None	Every package
B	Statement of financial condition (ASC 274)	Estimated current value	Every package
C	Statement of changes in net worth	Estimated current value	Every package
D	Legal entity organization chart	None	Every package
E	Consolidated balance sheet	Cost (books)	Every package
F	Consolidated income statement	Cost (books)	Every package
G	Consolidated statement of cash flows	Cost (books)	Every package
H	Consolidating statements with eliminations	Cost (books)	Every package
J	Reconciliation of net worth, book value to estimated current value	Both	Every package
K	Schedule of estimated values and measurement dates	Estimated current value	Every package
L	Treasure asset schedule with insurance	Both	Every package
M	Real estate schedule	Both	Every package
N	Liabilities, guarantees and commitments	Current amounts	Every package
P	Borrowing capacity	Estimated current value	Every package
Q	Decisions and follow-ups for the family	None	Every package

Statements B and J may be presented together as one three-column statement (at cost, change to estimated current value, at estimated current value), as long as every requirement of both is met.

Statements B and C may be presented as one combined page for a family reporting group of three entities or fewer.

Guidance: why this order. The order puts the family's answer first and the evidence after it. A reader who stops after Statement C knows what the family is worth and why it changed. A reader who continues finds who owns what (D), the books that the answer rests on (E through H), the bridge from book to market (J), then the schedules behind every estimate (K through N), and what the family could borrow against it all (P). Statement Q closes the package with what the family needs to do.

Guidance: additional pages. A package may add pages after Statement P and before Statement Q: an investment report, an operating company's results, trust summaries, a tax estimate, a calendar of deadlines, a document register. The Hollis package adds asset allocation and liquidity, investments, the operating company, the trusts, tax estimates, a 90-day calendar and the document vault. Additional pages may not replace a required statement, and they follow the same presentation rules.

Guidance: frequency. Every statement appears every month. A family that wants a shorter monthly package may issue Statements A, B, C, E, F, G and P monthly and the full package quarterly, provided the "How to read" page says so and the quarterly package is complete. The books are still closed and reconciled every month.

3.2 Statement A: the cover and how to read

Requirements.

1. The cover names the family, the period and the preparer, and carries the preparer's address and main telephone line.
2. **The cover shows no financial figures.**
3. The pages that follow give a table of contents with page numbers and a "How to read this package" section.
4. "How to read" explains, in plain language: who and what is in the family reporting group; that the books were closed and every account reconciled for the month; the two kinds of value (book value and estimated current value) and what each means; that every estimate shows its date; how amounts are rounded and how negative amounts appear; and, where it applies, the edition of the Standard the package follows.

Why. The cover is the page most often seen by people who should not see the numbers: the courier, the assistant who opens the mail, the person across the table at a restaurant. A cover without figures protects the family at no cost. The "How to read" page is where a new trustee or attorney starts; it should let them read the rest of the package without calling anyone.

Layout. Cover: the preparer's mark and name; the family's name; the title ("Monthly report") and period ("October 2026"); "Confidential"; the date issued; the preparer's address and main line. Contents: a table with the section, a one-line description of what it answers, and the page.

Example. The Hollis cover (Part Seven, Statement A) carries the Baratelli mark, "The Hollis Family," "Monthly report, October 2026," the issue date and the firm's address and main line. The contents page lists nineteen sections, each with a one-line description ("Why net worth moved this month, and the estimated taxes behind it").

Common mistakes. A net worth figure on the cover "for convenience." A contents page with no page numbers. A "How to read" page that explains accounting in general rather than this package in particular.

3.3 Statement B: the statement of financial condition

Requirements. The statement of financial condition is the family's balance sheet at estimated current value. It follows ASC 274:

1. Assets are presented at **estimated current value**: the amount for which each could be exchanged between a well-informed, willing buyer and seller, neither compelled to act.
2. Liabilities are presented at their **estimated current amounts**.
3. **Estimated income taxes** on the difference between the estimated current values of assets and the estimated current amounts of liabilities and their tax bases are presented as a separate line, after liabilities and before net worth.
4. **Net worth** is the remainder.
5. Assets and liabilities are listed in order of liquidity and maturity, not split into current and noncurrent.
6. An interest in a closely held business that is a large part of the family's assets is shown as **one net amount** at estimated current value, separately from other investments. The business's own assets and liabilities appear in the consolidating statements (Statement H), not here.
7. Only the family's share of a jointly owned asset is included.
8. Statement B presents the current month-end beside the prior month-end and the prior year-end.

Why. Statement B is the answer to "what are we worth today?" It is also what a lender means by a personal financial statement, and what an estate attorney needs to begin planning. Each of the eight requirements prevents a specific distortion: cost instead of value (1), a mortgage at face when its rate is far below market (2), wealth stated before the tax that a sale would trigger (3), a business's inventory and payables mixed in among the family's investments (6), a joint account counted in full (7).

Layout. A single column of amounts for each date, or the three-column bridge described in 3.8. Suggested order of assets: cash and cash equivalents; marketable securities; receivables and notes; retirement accounts; private funds; cash value of life insurance; closely held business interests; real estate; treasure assets; personal residence and furnishings; other. Liabilities: amounts due within the month (credit cards, bills, taxes payable); margin and lines of credit; mortgages and notes by maturity; other. Then the estimated income taxes line. Then net worth.

Example. The Hollis family's Statement B, presented together with Statement J as a three-column page, shows total assets of $49,762,758 at cost and $52,640,518 at estimated market value; liabilities of $7,199,220; estimated income taxes on the difference of $731,036; and net worth of $42,563,538 at cost and $44,710,263 at estimated market value at October 31, 2026.

Guidance: what "large part" means. ASC 274 does not set a percentage. The Standard treats a business interest as large when its estimated current value is more than one-fifth of the family's total assets, or when the family's lenders or attorneys treat it as the family's principal asset. Riverbend Supply Co. is a small part of the Hollis family's assets, so its receivables, inventory and equipment appear among the family's assets. A family whose operating company is worth half its total assets shows the company as one line, "Investment in [Company], 100 percent," at the estimated value of the family's interest, and lets Statement H carry the detail.

Guidance: estimated current amount of a liability. For most family debt, the payoff balance is the estimated current amount. Where a fixed-rate loan carries a rate well below the market rate at the statement date, ASC 274 measures it at the discounted amount of the future payments. A $2,000,000 mortgage at 3 percent with twenty years left, measured when similar loans cost 6.5 percent, has an estimated current amount well below its balance, and the difference is a real economic benefit to the family. The Standard requires the payoff balance on the face of Statement B and permits the discounted amount, provided the method and rate are stated in Statement K. The family's choice is applied the same way every month.

Common mistakes. Showing an operating company's gross assets and debt in Statement B and also its equity as an investment (counting it twice). Leaving the tax line off because "we are not selling." Listing a brokerage account at its cost basis because that is what the old spreadsheet carried. Dropping the prior month-end, which leaves the reader unable to see change.

3.4 Statement C: changes in net worth

Requirements. Statement C explains why net worth moved from the prior month-end to this one. At minimum it shows:

1. Net worth at the beginning of the period.
2. Net income for the period, from the consolidated income statement.
3. Other changes in equity: money contributed to or distributed out of the family reporting group, including gifts to people outside the group and to charity.

4. Net worth at book value at the end of the period.
5. The change in the difference between estimated current values and book values.
6. The change in estimated income taxes on that difference.
7. Net worth at estimated current value at the end of the period.

Where two month-ends of estimated values are on file, Statement C shows the month's change in estimated values (5) and the change in estimated taxes (6) separately. In a family's first package, items 5 and 6 are shown at the end of the period only, and the page says so.

Why. ASC 274 treats this statement as optional. The Standard requires it, because the question a family asks most often is "why did the number change?" A net worth that rose $2 million because a building was reappraised is different from one that rose $2 million because the family earned it, and very different from one that fell because the family gave $2 million to its children's trust. Statement C separates them.

Layout. A single column for the month, with an optional column for the year to date. Book items first, then the estimated value items, so the reader can stop at book value if that is the question.

Example. The Hollis family's book net worth rose from $42,439,387 at September 30 to $42,563,538 at October 31: net income of $124,151, with no money put into or taken out of the family group. The change to estimated market value at October 31 was $2,877,761, and the estimated income taxes on it $731,036, bringing net worth at estimated market value to $44,710,263. Because this is the first package with estimated values, the page states that the November package will show the month-to-month change in values and taxes separately.

Common mistakes. A single "change in net worth" line with no explanation. Gifts to a trust inside the reporting group shown as reductions in net worth (they are transfers within the group and eliminate). A reappraisal shown as income.

3.5 Statement D: the legal entity organization chart

Requirements. One page showing every person and entity in the family reporting group: who owns each entity and in what share; what each entity does, in one or two words; which entities are trusts, foundations or entities disregarded for tax; and each entity's book equity at the period end. Every entity on the chart appears as a column in Statement H.

Why. Heirs, trustees and attorneys think in entities, because ownership, liability and taxation follow the entity. A chart is the fastest way to see that the family's largest building is not owned by the family at all but by a dynasty trust, or that an operating company is split between the parents and a trust.

Layout. Individuals at the top; then the entities they own directly; then the entities owned by those entities. Trusts set apart with a different shading, with a dotted line to their beneficiaries.

Percentages on every ownership line. A key. A short note under the chart on tax treatment ("The dynasty trust is a grantor trust taxed to James and Anna; the children's trust files its own return").

Example. The Hollis chart shows James and Anna at the top; their personally held accounts owning Treasury, Capital Partners, Heritage Collection, the family office and 60 percent of Riverbend Supply; the 2012 Dynasty Trust owning 40 percent of Riverbend Supply and all of Riverbend Properties; Treasury owning Harbor View Holdings; and the children's trust, with Marco as beneficiary.

Common mistakes. A chart drawn once for an estate plan and never updated. Missing percentages. A chart that does not match the consolidating columns.

3.6 Statements E, F and G: the consolidated statements

Requirements.

1. The consolidated balance sheet, income statement and statement of cash flows present the family reporting group as one economic unit, at cost, from the books, after eliminations.
2. They use standard headings (assets, liabilities, net worth; revenue, cost of goods sold, operating expenses, other income and expenses, net income; operating, investing and financing activities) and standard line items.
3. The consolidated balance sheet presents the current month-end beside the prior month-end. The consolidated income statement presents the month and the year to date. The consolidated statement of cash flows presents the month and the year to date, and reconciles to the change in cash and cash equivalents on the balance sheet with no unexplained difference.
4. Where an entity in the group is not wholly owned by the family, the share owned by outsiders is shown separately as noncontrolling interest.

Why. These are the statements every professional reader knows. They answer what the family owns and owes on the books, what it earned and spent, and where its cash went. They are also where the household's spending becomes visible: in a family package, living costs are expenses of the family's own entity, and they belong in the income statement as clearly as a company's payroll.

Guidance: the family's own income statement. The consolidated income statement of a family looks different from a company's. Revenue may include an operating company's sales, rent from buildings, interest and dividends. Operating expenses may include the family office's payroll and the household's living costs. Other income includes investment gains realized during the period; unrealized changes in value do not belong here (they appear in Statement C). Present household and living costs in a few clear lines (housing, staff, travel, education, gifts to individuals, other) rather than one large number.

Guidance: cash. Define cash and cash equivalents on the "How to read" page (bank accounts, money market funds and, if the family so decides, treasury bills of three months or less) and use the same definition every month. The Hollis package lists every cash account by entity under the cash flow statement, so a reader can see that the $12,336,073 of cash, money market and treasury bills sits in specific accounts.

Example. The Hollis consolidated balance sheet shows total assets at cost of $49,762,758 and net worth of $42,563,538 at October 31, 2026, beside September 30. The income statement shows net income of $124,151 for October and the year to date beside it. The cash flow statement shows the year's purchase of the Harbor View building and the mortgage that financed it.

Common mistakes. A consolidated balance sheet built by adding up entity balance sheets without eliminations. Unrealized gains on securities run through the income statement in some months and not others. A cash flow statement with a "difference" line.

3.7 Statement H: the consolidating statements

Requirements.

1. One column per entity, in the order of the organization chart. Entities of one kind (for example, three trusts) may be grouped under a subtotal.
2. An eliminations column, then the consolidated total, which agrees to Statements E, F and G.
3. The eliminations column removes, at minimum: investments in subsidiaries against their equity; intercompany loans receivable against intercompany loans payable; and management fees, rent, interest and other charges between family entities, income against expense.
4. Every elimination has two sides. An elimination with one side is an error and is resolved before the package is issued.
5. Consolidating statements are presented for the balance sheet, the income statement for the month and the year to date, and the statement of cash flows.
6. Wide statements may print in whole dollars, landscape, and may continue across pages with the row labels repeated.

Why. Statement H is the bridge between the entity books and the family's totals, and the first place an attorney, a trustee or a lender looks when a question is about one entity. A trustee can find the dynasty trust's column and see exactly what it owns, earned and distributed.

Guidance: the intercompany test. Each month, before the package is issued, the preparer lists every intercompany balance by pair of entities and confirms that the receivable in one equals the payable in the other, and that intercompany income in one equals intercompany expense in the other. Where they differ, the cause is found (a payment recorded by one side only, a fee booked in a different month) and corrected in the books. The consolidating statement then shows eliminations that net to zero across the row.

Guidance: noncontrolling interest. Where a family entity is owned partly by someone outside the reporting group, the consolidating balance sheet shows the outsiders' share of that entity's equity in its own line, and Statement B includes only the family's share.

Example. In the Hollis consolidating balance sheet, Hollis Treasury LLC shows "Due from Harbor View Holdings LLC" of $1,500,000, Harbor View shows the same amount payable, and the eliminations column removes both. The consolidated column counts the loan nowhere, as it should.

Common mistakes. An eliminations column that is a plug. A consolidating statement with columns that do not match the organization chart. A trust left out because "it files its own return."

3.8 Statement J: the bridge from book value to estimated current value

Requirements. One table, three columns: **at cost (book value)**, **change to estimated current value**, **at estimated current value**. Each asset class is a row, in the order of Statement B. The estimated income taxes line appears in the middle and right columns. The bottom line reconciles net worth on Statement E to net worth on Statement B.

Why. This is the statement that lets a reader trust both numbers, because it shows exactly how one becomes the other. Every dollar of difference between the books and the market is attributed to a specific asset class, and the tax on it is shown beside it.

Example. In the Hollis package the middle column shows $642,700 for the brokerage account (custodian value over cost), $729,000 for treasure assets (appraised value over cost, including items held personally and therefore not on the books at all), and $1,506,061 for the two apartment buildings (appraised value over cost less depreciation). Total change: $2,877,761. Estimated income taxes on it: $731,036. Net change in net worth: $2,146,725.

Common mistakes. A bridge that does not foot. A middle column that includes items whose book value is already current (cash, for example) with a nonzero change. Items held outside the books omitted from the market column.

3.9 Statement K: estimated values and measurement dates

Requirements. For every asset carried at an estimate rather than at a statement balance, Statement K shows: the estimated current value; the date it was measured; the source (custodian statement, appraisal, broker opinion, manager NAV, insurance schedule, family estimate); the tax basis; the unrealized gain; and whether the estimate is current or past its refresh period (Section 4.2). An asset with no estimate on file is listed and marked for one. The method behind each kind of estimate is stated once, under the table.

Why. Statement K is the evidence behind Statement B. It is the page a lender's credit officer and an estate attorney read most closely, because it tells them which numbers are measured and which are hoped for.

Example. The Hollis Statement K lists both apartment buildings, every piece of art, wine, watches, jewelry and collector cars, and both private funds, each with its value, date, source, tax basis and unrealized gain. The wine valuation of January 18, 2024 and the diver's watch appraisal of October 20, 2023 are marked "Due now." The primary residence, carried at cost with no appraisal on file, is marked "Order appraisal."

Common mistakes. "Various" in the date column. An insurance replacement value presented as fair market value without saying so (Section 4.2). No tax basis, which leaves the deferred tax impossible to check.

3.10 Statement L: treasure assets

Requirements. Art, collector vehicles, watches, jewelry, wine, collectibles and similar assets are listed item by item: description, category, the entity that holds it (or "held personally"), where it is, cost, estimated current value, the date that value was measured, the amount it is insured for, and the gap between value and insurance. Items on loan show the borrower and the return date. Items held outside the books are marked.

Guidance. A photograph of each item is strongly recommended; it identifies the piece for an insurer, an heir or a court in a way no description can. For each item the support file keeps the purchase invoice, provenance, condition reports, the appraisal, the insurance schedule, loan agreements and shipping records. Where an item is insured on a blanket policy rather than scheduled individually, the schedule says so and shows the blanket limit.

Why. Treasure assets are where families are most often underinsured, most often surprised at an estate, and most often in dispute among heirs. They are also the assets most likely to be missing from a family's statements entirely.

Example. The Hollis Statement L shows, among other items, the painting *Untitled (Blue Field)*, appraised at $262,000 on May 2, 2026 and insured for $250,000, a gap of $12,000, and the 1999 V12 coupe, valued at $215,000 on November 12, 2026 and insured for $175,000, a gap of $40,000. The executive summary turns both gaps into a decision for the family.

Common mistakes. One line, "Art collection, $1,000,000." Values from the purchase invoice carried for a decade. Items given to children years ago still listed as the parents'.

3.11 Statement M: real estate

Requirements. Each property: owner entity; use (residence, rental, commercial, land); cost; accumulated depreciation; book value; estimated current value and its date; mortgage balance; equity; insured amount; and the gap. Rental properties add units, occupancy and rent in place.

Guidance. Insurance on a building covers the cost to rebuild, not the market value, which includes land. The schedule compares coverage with value as a prompt for the family's broker, not as a finding that the building is underinsured. State that on the page.

Example. The Hollis Statement M shows Maple Court Apartments and Harbor View, each with its appraisal date and insured amount, units leased and rent in place, and the leases expiring in the next ninety days.

3.12 Statement N: liabilities, guarantees and commitments

Requirements. Every loan, line of credit, margin balance and mortgage with its lender, rate, payment, maturity, collateral and any personal guarantee; every personal guarantee of someone else's debt; every unfunded commitment to a private fund; and every pledge to a charity, with the amount and timing.

Why. Guarantees and unfunded commitments are not liabilities on the balance sheet, but they are claims on the family's future cash, and lenders and estate attorneys need to see them. A family that has guaranteed its operating company's line of credit has a contingent liability that does not appear anywhere else.

Example. The Hollis debt schedule lists five loans totaling $7,027,220: the Maple Court mortgage at 5.10 percent maturing December 1, 2029; the Harbor View mortgage at 6.85 percent maturing December 1, 2033; the operating company's term loan and its $375,000 revolving line of credit; and the mortgage on the residence. A note says that the $1,500,000 Treasury loan to Harbor View is between family entities and is eliminated. The private funds page shows the capital still to be called, which the family keeps available in treasury bills.

3.13 Statement P: borrowing capacity

Requirements. Statement P shows how much more the family could borrow against what it owns, at the advance rates lenders apply to each kind of collateral. For each asset or group that could serve as collateral, it shows:

1. The collateral and its owner.
2. Its estimated current value, from Statements B and K, with the same measurement date.
3. The advance rate: the rate in the lender's agreement where a facility already exists, otherwise the rate lenders commonly apply to that kind of collateral (Section 4.8), with its date.
4. The borrowing base: estimated value times the advance rate.
5. The amount already borrowed against that collateral, from Statement N.
6. The amount available: the borrowing base less what is already borrowed, and never less than zero.

Below the table, Statement P lists the holdings it does not count and why, states the liquidity the family already has in cash and cash equivalents, and carries the plain-language note required by Section 5.2.

Why. After "what are we worth?", the question families ask most is "how much could we raise if we needed it, without selling?" A family may need cash for a tax payment, an opportunity, a child's home, an estate settlement or a business in trouble. Selling an appreciated asset triggers the deferred tax measured in Section 4.4; borrowing against it does not. A family that knows its borrowing capacity can compare the cost of a loan with the tax and the lost return of a sale, and can arrange credit before it is needed, when lenders are most willing.

Layout.

Collateral	Owner	Estimated value	Advance rate	Borrowing base	Already borrowed	Available
Brokerage account	Capital LLC	12,642,700	65%	8,217,755	0	8,217,755
Apartment building	Rental LLC	4,650,000	70%	3,255,000	3,073,828	181,172
Primary residence	Held personally	2,400,000	80%	1,920,000	1,059,000	861,000
Total		**19,692,700**		**13,392,755**	**4,132,828**	**9,259,927**

Guidance: what not to count. Statement P is conservative by design. It does not count:

- **Cash and cash equivalents.** They are already liquid; the page shows them separately as the family's existing liquidity.
- **Retirement accounts.** Assets in an IRA or 401(k) generally cannot be pledged as collateral, and pledging an IRA can itself be treated as a distribution.
- **Assets owned by trusts,** except where the trustee could borrow and the proceeds would serve the purpose in view. A dynasty trust's building can support a loan to the trust, not to the parents; the page says which.
- **Private fund interests, collector vehicles, watches, jewelry and wine,** unless a lender has agreed to lend against them. Specialty lenders exist for each, but terms are case by case.
- **An operating company's receivables and inventory** that already support its own line of credit.
- **Collateral below a lender's minimum loan size.** Many art lenders, for example, start at loans of $1 million or more. Show the line, with a note that it is below the usual minimum.

Guidance: limits other than value. Advance rates set the ceiling, not the loan. A lender also tests the borrower's income and, for real estate, whether the property's rents cover the payments, commonly at 1.20 to 1.25 times the annual debt service for an apartment building. A line of credit against securities can be reduced or called if the market falls, forcing the family to post more collateral or sell. Statement P says so in its note, and where a facility already exists it states the lender's own terms and covenants rather than general rates.

Guidance: who is the borrower. Each line names the owner, because the owner is the borrower. A loan against Harbor View is a loan to Harbor View Holdings LLC; a loan against the brokerage account is a loan to the entity that holds it. Where cash raised in one entity would need to move to another, the move is a distribution, a loan between family entities or a gift, and has its own consequences.

Example. The Hollis Statement P counts five lines: the brokerage account at a blended 65 percent, Maple Court and Harbor View at 70 percent, the residence at 80 percent of cost (pending its appraisal), and two paintings at 50 percent. The borrowing base is $17,176,255; $6,198,087 is already borrowed against the same assets; $10,978,168 is available. Of that, $1,539,740 sits in Maple Court, which belongs to the dynasty trust, and $178,500 is art, below most art lenders' minimum. Separately, the family already holds $12,336,073 in cash, money market funds and treasury bills, and the page lists the $8,051,550 of trust investment accounts and the $1,240,000 of retirement accounts it does not count.

Common mistakes. Applying an advance rate to market value and forgetting the mortgage already on the property. Counting retirement accounts. Counting a trust's assets as the parents' credit. Treating the borrowing base as a loan offer. Using a stale value: a borrowing base is only as current as the estimate under it.

3.14 Statement Q: decisions and follow-ups

Requirements. A short list, in plain language, of what the family needs to decide or do: an insurance gap to close, an appraisal to refresh, a tax payment coming due, an item missing from the books, a document to sign, a loan maturing. Each item names who acts and by when. Items stay on the list until they are done; the package shows when each was closed.

Why. A report that informs but does not lead to action is only half done. Statement Q is where the package earns its keep.

Example. The Hollis executive summary closes with five items: a call with the insurance broker before year-end about the four holdings worth more than they are insured for; the fourth-quarter estimated tax payment due January 15, 2027, projected at about $279,810; a collector vehicle bought by Heritage Collection LLC that will be recorded once the bill of sale is in the vault; leases coming up for renewal in the next 90 days; and the December family meeting, which takes up annual gifts to the trusts. The stale valuations for the wine and the diver's watch are flagged on the net worth page and in Statement K.

Common mistakes. Items with no owner or date. A list that never shrinks.

Part Four. Measurement

4.1 The two bases

The books are kept at cost, under the accounting framework the family's preparer uses for the entities. The statement of financial condition is presented at estimated current value under ASC 274. The Standard does not ask the books to carry market values, and it does not ask the statement of financial condition to carry cost.

Guidance. The books stay at cost for three practical reasons. The entities' tax returns are prepared from them. Their lenders test covenants on them. And cost, unlike value, can be proved from documents. Estimated current values change with every appraisal; putting them in the ledger would mean posting unrealized gains and losses each month and reversing them when the asset is sold. Keeping estimates outside the ledger, in Statements B, J and K, gives the family both numbers without contaminating either.

4.2 Measurement by asset class

Requirement. Each asset is measured as shown below. The source and date are recorded in Statement K. An estimate older than its refresh period is flagged.

Asset class	Estimated current value	Acceptable source	Refresh period
Cash, money market, treasury bills	Statement balance	Bank or custodian statement	Monthly
Marketable securities	Quoted closing price at period end	Custodian statement	Monthly
Private equity, venture and hedge fund interests	Manager's latest net asset value, adjusted for calls and distributions since	Manager's capital account statement	Quarterly
Retirement accounts	Account balance	Custodian statement	Monthly
Life insurance	Cash surrender value less policy loans	Carrier statement	Annually
Notes receivable, including loans to family members	Discounted amount of the payments expected	Note and payment record	Annually
Closely held business interests	Estimated value of the family's interest	Independent valuation, or a documented family estimate with its method	24 months
Real estate	Appraised or broker-opined value	Appraisal, broker opinion of value, or recent sale of the property	24 months
Art, collectibles, vehicles, watches, jewelry, wine	Appraised fair market value	Qualified appraisal or auction estimate	24 months
Aircraft and yachts	Appraised or dealer-quoted value	Appraisal or published value guide	12 months
Digital assets	Quoted price on the principal exchange at period end	Exchange or custodian statement	Monthly
Personal residence and furnishings	Appraised value; furnishings at a documented estimate	Appraisal, broker opinion	36 months
Liabilities	Estimated current amount (Section 3.3)	Lender statement	Monthly

Guidance by asset class.

Marketable securities. Use the custodian's closing price at the period end, not the cost basis and not the price on the day the package is prepared. Restricted or thinly traded shares, and large blocks whose sale would move the price, are measured at the quoted price and the restriction or concentration is described in Statement K. Vested stock options are measured at their estimated value; unvested awards are disclosed, not included.

Private funds. A private fund's manager reports net asset value quarterly, usually weeks after the quarter ends. Between reports, roll the last NAV forward: last reported NAV, plus capital called since, less distributions since. Do not estimate the fund's investment performance between

reports. Record the NAV date in Statement K. The Hollis package carries Great River Growth Partners IV at its September 19, 2026 NAV of $1,580,000 and states the date beside it. Unfunded commitments are not assets or liabilities; they appear in Statement N.

Closely held businesses. ASC 274 accepts several methods: a multiple of earnings, discounted cash flows, the value of the business's net assets, a recent sale of an interest in the business, or a formal appraisal. The Standard requires the method to be stated and applied consistently. Where the family's own estimate is used, the support file keeps the calculation and the inputs, and the estimate is refreshed at least every 24 months or when something changes the business materially: a new contract, the loss of a large customer, a sale process. A business preparing for sale should use the value indicated by the process once there is a signed letter of intent.

Real estate. An appraisal prepared for a lender or an estate is the best source. A broker's opinion of value is acceptable between appraisals. Assessed values for property tax are generally not current values and are not used without adjustment. A property under contract is measured at the contract price.

Art, collectibles and other treasure assets. Use fair market value: what a willing buyer would pay a willing seller in the market where such items are commonly sold, usually auction. **An insurance appraisal states replacement value: what it would cost to buy a comparable item at retail. Replacement value is usually higher than fair market value, sometimes by a third or more.** Where the only appraisal on file is an insurance appraisal, the Standard permits it to be used until a fair market value appraisal is obtained, provided Statement K names it as an insurance appraisal and Statement Q lists the fair market value appraisal as a follow-up. For tax purposes a "qualified appraisal" by a "qualified appraiser" is required for many charitable gifts and estate filings; obtaining one for significant pieces serves both the package and those filings.

Life insurance. Include the cash surrender value of policies the family owns, less any policy loans. The death benefit is not an asset of the family before death. A policy owned by an irrevocable life insurance trust outside the reporting group is not included; it is mentioned in the notes so that heirs know it exists.

Notes receivable from family members. A loan to a child is an asset only if it is expected to be repaid. Measure it at the discounted amount of the payments expected. A note the family does not expect to collect, or plans to forgive, is described in Statement N and carried at the amount expected.

Future interests. A family member's vested right to receive future amounts, such as a remainder interest in a trust outside the group, is measured at the discounted amount expected to be received, as ASC 274 requires, and only if the right is nonforfeitable.

Digital assets. Use the closing price on the principal exchange at the period end, the same moment every month, and record the wallet or custodian. Keys and access arrangements belong in the family's documents, never in the package.

Personal residence and furnishings. Use the latest appraisal or broker opinion; refresh it at least every 36 months. Household furnishings are included at a documented estimate only where they are significant; otherwise they are omitted and the omission is stated.

4.3 Measurement date beside every estimate

Requirement. Every estimated value in Statements B, J, K, L and M shows the date it was measured, in the same row. A value with no date is not an estimate under the Standard; it is a guess, and it is labeled as one.

Guidance. The measurement date is the date of the appraisal or statement, not the date it was received or entered. Where an item is valued by a method applied each month (a quoted price, an exchange rate), the date is the period end.

4.4 The deferred tax on unrealized gains

For many families this is the largest liability they have, and the one they never see. A family that bought a building for $2 million, depreciated it to $1 million and now owns it at $9 million does not have $9 million. It has $9 million less the tax a sale would trigger. The same is true of a founder's stock, a painting bought decades ago, or a brokerage account full of early winners. Accounting at cost hides this liability entirely, because the gain has not happened yet. Market value shown without the tax overstates the family's wealth, sometimes by millions.

The Standard requires the deferred tax to be measured, shown and explained in every package.

4.4.1 Where it appears

The deferred tax appears as its own line in Statement B, after liabilities and before net worth, titled **"Estimated income taxes on the difference between estimated current values and tax bases."** It appears again in the middle column of Statement J, so the reader sees exactly how much of the gap between book value and current value the tax takes back. Statement C shows its change from month to month.

4.4.2 How it is computed

As ASC 274 requires, the tax is computed as if every asset were sold, and every liability settled, at its estimated current value on the statement date. The Standard requires the computation to be done **asset by asset** (or by homogeneous group, such as one brokerage account), not on the family's net gain as one number, because the rate depends on what the asset is and how long it has been held:

Gain on	United States federal treatment to apply	Top federal rate, 2026
Securities and business interests held more than one year	Long-term capital gain	20%
The same, held one year or less	Ordinary income	37%
Art, collectibles, coins, precious metals, wine, watches, jewelry	Collectibles gain	28%
Real estate: the part of the gain equal to depreciation taken	Unrecaptured section 1250 gain	25%
Real estate: the gain above that	Long-term capital gain	20%
Equipment and vehicles used in a business: gain up to depreciation taken	Section 1245 recapture, ordinary income	37%
Net investment income on any of the above, for families above the threshold	Net investment income tax	plus 3.8%
State income tax	The state where the gain would be taxed	Stated per state

Rates shown are the top federal rates for 2026 tax years, measured November 23, 2026. The preparer applies the family's actual rates and states them, with the year, in the package.

An asset worth less than its tax basis adds no tax; a loss offsets gains only to the extent the tax law would allow on a sale at the statement date. Capital loss carryforwards and other tax attributes the family already holds reduce the tax and are stated.

Guidance: which rate. Most families with assets large enough to need this Standard pay the top rates. Where a family's income would place part of a gain in a lower bracket, the preparer may compute the tax at the rates that would actually apply, provided the method is stated. Use the state where the family is resident for income tax; for real estate, consider the state where the property sits, which may tax the gain too.

Guidance: what tax basis to use. For securities, the custodian's cost basis report. For real estate, cost plus improvements less depreciation taken, from the fixed asset records and tax returns. For treasure assets, the purchase price plus commissions, buyer's premium, sales tax and costs of acquisition, from the invoice. For an asset received by gift, the donor's basis carries over; for an asset inherited, the basis is generally its value at the date of death. Where basis is not known, the support file says so and the tax is computed on a documented estimate, flagged in Statement K.

Worked example: one building. A family's apartment building was bought for $2,000,000. Depreciation of $1,000,000 has been taken, so its tax basis is $1,000,000. Its appraised value is $9,000,000.

Line	Amount
Estimated current value	$9,000,000
Tax basis after depreciation	(1,000,000)
Unrealized gain	8,000,000
Tax on depreciation recapture: 25% of $1,000,000	(250,000)
Tax on the remaining long-term capital gain: 20% of $7,000,000	(1,400,000)
Net investment income tax: 3.8% of $8,000,000	(304,000)
Estimated federal income tax on a sale	(1,954,000)
Building at estimated current value, after federal tax	$7,046,000

Illustration. 2026 top federal rates, measured November 23, 2026; state tax not included.

Worked example: the Hollis family. The Hollis package computes the tax in three groups, using the 2026 rates and Missouri's 4.7 percent:

Group	Unrealized gain	Rate applied	Estimated tax
Marketable securities, custodian value over cost	642,700	28.5%	183,170
Treasure assets, appraised value over cost	729,000	36.5%	108,336
Apartment buildings, appraised value over book value	1,506,061	28.5% to 33.5%	439,530
Total	2,877,761		731,036

The rates combine the federal rate for the kind of gain (20, 28 or 25 percent), the 3.8 percent net investment income tax and Missouri's 4.7 percent. The buildings use 33.5 percent on the part of the gain equal to depreciation taken and 28.5 percent on the rest. The treasure asset tax is figured item by item; the engagement ring, worth less than it cost, adds nothing.

4.4.3 The required schedule

Statement J is supported by a schedule of the deferred tax, one row per asset or homogeneous group: estimated current value, tax basis, unrealized gain, the character of the gain, the rate applied and the estimated tax. The schedule totals to the line in Statement B. Statement K carries the tax basis and the unrealized gain for every estimated item, so the schedule can be checked line by line.

4.4.4 What must be disclosed beside it

The ASC 274 figure assumes a sale today. Real families rarely sell everything today, and some of the tax may never be paid. The Standard therefore requires a short note beside the schedule, in plain language, quantifying each of the following that applies:

1. **Basis step-up at death.** Under current United States law (Internal Revenue Code section 1014), most assets included in a decedent's estate take a tax basis equal to their value at death, which can eliminate the income tax on the gain. The note states how much of the deferred tax relates to assets that would receive a step-up if held until death, and how much relates to assets in irrevocable trusts outside the estate, which would not.
2. **Retirement accounts and other tax-deferred balances.** Traditional IRAs, 401(k) accounts and deferred compensation are taxed as ordinary income when withdrawn, with no step-up. The note estimates that tax separately at the family's expected ordinary rate, because it is often larger than the capital gains line and is not in it.
3. **Grantor trusts.** Where a trust's income is taxed to a family member, the tax on that trust's gains falls on the family member and belongs in the family's line.
4. **Charitable intentions.** Appreciated assets the family has pledged or intends to give to charity would not be taxed on the gain. The note states the amount, but the line itself is not reduced unless the gift is legally committed.
5. **Deferral already in place.** Installment sales, like-kind exchanges and opportunity zone investments carrying deferred gains are listed with the year the deferred tax becomes due.

Worked example: the Hollis note. Of the $731,036 of estimated income taxes, $370,801 relates to holdings owned by James and Anna, directly or through their companies, which would generally receive a new tax basis at death under section 1014. $360,235 relates to Maple Court Apartments, owned by the 2012 Dynasty Trust: outside the estate, so no step-up, and a grantor trust, so the tax on a sale would be paid by James and Anna. Separately, the $1,240,000 in IRA and 401(k) accounts would bear an estimated $517,080 of income tax when withdrawn, at 37 percent federal and 4.7 percent Missouri. No gifts of appreciated holdings are pledged to charity, and no gains are already deferred.

Why the note matters. Without it, the family sees one number and draws the wrong conclusion in either direction. Some families decide the tax "doesn't count" because they will never sell, and then sell. Others decide to sell nothing ever, holding concentrated positions far longer than prudence would allow, because the tax looks unbearable. The note shows which part of the tax a plan can remove (step-up), which it cannot (the trust's building, the retirement accounts), and what each choice costs.

4.4.5 What is not in the line

Estate and gift taxes are transfer taxes, not income taxes, and ASC 274 does not include them. The Standard does not put them in the line either. A family may add a separately labeled note with its estate planner's estimate of estate tax exposure, dated and sourced like any other estimate. For reference, the federal basic exclusion amount for estates of individuals dying in 2026 is $15,000,000 per person, measured November 23, 2026; the estate planner, not the package, applies it to the family's plan.

4.4.6 Rates change

The package states the rates applied and the tax year they belong to. When a law changes a rate, the next package applies the new rate and Statement C shows the effect as a change in estimated taxes, separately from changes in value.

4.4.7 Entities that pay their own tax

Where an entity in the reporting group pays income tax itself (a C corporation, or a non-grantor trust), the deferred tax on its own assets is computed at that entity's rates and included in the line. The consolidated balance sheet of a C corporation already carries deferred taxes under its own accounting; the package does not count them twice. Pass-through entities (partnerships, S corporations, LLCs taxed as either, and grantor trusts) pay no income tax of their own, which is why the Hollis consolidated balance sheet carries none and the full tax appears in Statement B.

4.5 Assets held outside the books

Requirement. An asset the family owns personally and does not record in an entity's ledger is included in Statement B at estimated current value and in Statement L or M with its details, and the package notes that it is held outside the books.

Guidance. The decision whether to bring an asset onto the books is practical. A painting bought by Heritage Collection LLC belongs on that entity's books because the entity paid for it. A watch inherited from a grandfather and kept at home may stay off the books for good. Either way, the family's statement includes it.

4.6 Stale estimates

Requirement. An estimate older than its refresh period in Section 4.2 is flagged on the face of Statements K and L, and a refresh is listed in Statement Q. The flag stays until the estimate is refreshed.

Guidance. Some estimates also go stale before their refresh period ends: a market fall, a hurricane, an artist's death, a tenant's bankruptcy. When the preparer knows of an event that would change an estimate materially, the estimate is flagged and refreshed regardless of its age, and Statement Q says why.

4.7 Currencies

Requirement. Each entity keeps its books in its own currency. The package presents everything in the family's reporting currency, translated at period-end rates for balances and average rates for income, and states the rates and their source.

Guidance. The deferred tax on a foreign asset is computed under the law of the country where the gain would be taxed and, for United States persons, under United States law as well, with the

foreign tax credit considered. Where that computation is uncertain, the note says so.

4.8 Advance rates

Requirement. Statement P applies, for each kind of collateral, the advance rate in the family's own loan agreement where one exists. Otherwise it applies the rate lenders commonly publish for that kind of collateral, states it, and dates it. The rates are reviewed at least once a year.

Guidance. Advance rates differ by lender, by the quality and concentration of the collateral, and over time. The table below shows rates that lenders and the mortgage agencies published or described as of November 2026. They are reference points for a family's own estimate, not offers.

Collateral	Advance rate commonly applied	Notes
U.S. Treasury bills	up to 99%	Securities-based line of credit
U.S. Treasury bonds	up to 96%	Securities-based line of credit
Investment-grade corporate and agency bonds	up to 85%	Securities-based line of credit
Investment-grade municipal bonds	up to 80%	Securities-based line of credit
Listed stocks and exchange-traded funds	50% to 70%	Lower for low-priced, volatile, restricted or concentrated holdings
Margin loan at a broker	up to 50%	May be used to buy securities, unlike most lines of credit
Retirement accounts	0%	Cannot be pledged
Primary residence, cash-out refinance, one unit	up to 80%	Agency limit for a conforming loan
Investment property, cash-out refinance, one unit	up to 75%	Agency limit; 70% for two to four units
Apartment buildings of five or more units and commercial property	commonly 65% to 75%	Also limited by debt service coverage
Fine art	about 50%	Fair market value appraisal; many lenders start at $1 million
Private fund interests, collector vehicles, watches, jewelry, wine	case by case	Specialty lenders; count only when a facility exists

Measured November 23, 2026. Sources: TD Bank, securities-based lending advance percentages; Charles Schwab, "What Is a Securities-Based Line of Credit?" (April 18, 2025); JPMorgan Chase, securities-based lending; Fannie Mae Eligibility Matrix (December 10, 2025); Freddie Mac maximum LTV requirements; Citi Private Bank and Merrill, art as loan collateral; Sotheby's Financial Services. Apartment and commercial rates are the Institute's summary of common practice.

Guidance: a blended rate. For a portfolio that holds several kinds of securities, multiply each holding by its own rate and add them, or use the blended rate the custodian's lending desk quotes for the account. The Hollis package uses a blended 65 percent for a mix of stock and bond index funds.

Part Five. Presentation and preparation

5.1 Names and headings

Requirement. Statements keep their standard names. Headings are "Assets," "Liabilities" and "Net worth," never "What we own" and "What we owe." The plain-language explanation goes beside the standard name, never in place of it.

Guidance. Use the line items a banker would expect: "Cash and cash equivalents," "Marketable securities," "Accounts receivable," "Mortgages payable." Where a family-specific line is clearer ("Treasure assets: art, wine, collector vehicles, watches and jewelry"), use it, and keep the standard heading above it.

5.2 The plain-language note

Requirement. Every statement in the package carries a short note, set apart from the figures, that tells a reader who is not an accountant what the statement shows and what to look at first. The note may sit under the statement or on the "How to read" pages, so long as each statement's note can be found. It is written for the family's heirs.

Guidance: how to write the note. Use the words a thoughtful twenty-five-year-old heir would understand. Say what the statement is for, then the one or two things that matter this month. Do not define debits and credits; do explain what a number means for the family.

An example, for the consolidated balance sheet: "A snapshot on the last day of the month. What the family owns (assets) less what it owes (liabilities) is net worth. Art, cars and buildings are at what they cost; the net worth page shows them at today's appraised values."

An example, for the statement of cash flows: "Net income and cash are not the same thing. A sale made on credit counts as income when it is made but brings in cash only when the customer pays. This statement starts with net income and adjusts it to the cash that actually moved."

5.3 Numbers

Requirement. Numbers are right-aligned and column headings centered. Negative amounts appear in parentheses. Amounts are rounded to the dollar; wide consolidating statements may round to the dollar or the thousand, stated at the top. Statements use a single rule above a subtotal and a double rule below a final total. Schedules and lists may use light rules between rows.

Guidance. A reader's eye should be able to run down a column and find the total without effort. Write approximate amounts in words ("about $40 million") rather than with symbols. Use the same rounding throughout a statement, and make sure rounded columns still foot; where rounding creates a one-dollar difference, adjust the largest line, not the total.

5.4 Dates

Requirement. The package carries the period-end date on every page. Every estimated value carries its own measurement date (Section 4.3). Every figure taken from outside the family's records (a tax rate, an exchange rate, an exemption amount) carries the date it was measured.

5.5 Page numbers and confidentiality

Requirement. Every page shows "Page x of y" and a confidentiality line. Sample or illustrative packages say so on every page.

5.6 The monthly close

Requirement. Before a package is prepared, every bank, brokerage, loan and card account in the family reporting group is reconciled to its statement for the month, and every intercompany balance agrees on both sides. The "How to read" page states that this was done.

Guidance: a monthly calendar. A family package is usually built in four steps after each month end.

Step	What is done	Who
1. Collect	Download every bank, card, brokerage, loan and fund statement; collect bills, invoices, payroll reports and the household's receipts	Bookkeeper
2. Record and reconcile	Record every transaction in the right entity; reconcile every account; record depreciation, interest and payroll taxes; match intercompany balances	Bookkeeper and accountant
3. Estimates	Update quoted prices and exchange rates; roll private fund values forward; record any new appraisal; refresh the deferred tax computation	Accountant
4. Review and issue	Review every statement against the checklist in Part Eight; write the notes and Statement Q; issue the package	Reviewer, then the family's lead

Guidance: review. Someone other than the preparer reviews each package before it is issued: the review of each statement, the intercompany test, the bridge in Statement J, the deferred tax schedule and the stale estimate flags. Where only one person is available, the preparer reviews the package the next day with the checklist, and the support file records it.

5.7 Timing

Requirement. The package is issued monthly. The Standard sets no deadline for issuing it; the family and its preparer agree one in writing.

Guidance. A package that is right a little later is worth more than one that is wrong on time. Agree a schedule the preparer can keep in a month with a late fund statement or a holiday, and say on the "How to read" page when any statement was prepared before a source document arrived.

5.8 The support file and retention

Requirement. Each issued package is kept, unchanged, with the support behind it for at least seven years: the reconciliations; the intercompany test; the source of every estimate (appraisals, statements, broker opinions); the tax basis records; the deferred tax computation; and the review record.

Guidance. The support file is what lets a new preparer, an estate attorney or a court rely on a package years later. Keep it with the books, in the same system, filed by month.

5.9 The statement about assurance

Requirement. When a CPA firm prepares the package without performing an audit, review or compilation, AR-C 70 requires a statement on each page of the financial statements that no assurance is provided. Packages under the Standard carry that statement in the page footer: **"No assurance is provided on these financial statements."**

Guidance. A CPA firm engaged to prepare the package agrees the terms in a written engagement letter signed by the firm and the family, which sets out the family's responsibility for the records and the estimates and the firm's responsibility for preparing the statements. Where the statements omit disclosures the framework would ordinarily require, the statements say so. A package prepared by the family's own staff, with no outside firm, is management's own statements; the statement about assurance is not required, and the "How to read" page says who prepared the package.

5.10 Saying that a package follows the Standard

Requirement. A package that meets every requirement of Parts Three through Six may say, on its "How to read" page: "*These statements are prepared in accordance with The Baratelli Standard for Family Financial Statements, First Edition (2026).*" A package that departs from any requirement may not say so, or lists each departure and its reason on the same page.

Guidance. Departures are not failures; they are disclosures. A family in its first year may not yet have appraisals for every piece in a collection. Listing the items still to be appraised, with the date each will be done, is a better package than one that claims more than it has.

Part Six. Special situations

6.1 The first package

A family's first package is often its hardest. Expect three things. The organization chart will change as documents are found. Some estimates will not exist, and Statement K will list more items marked "Order appraisal" than any later package. And Statement C will have only one month of estimated values, so the change in values and taxes is shown from the second package on. Say each of these on the "How to read" page. Do not delay the first package until everything is perfect; the package is how the family finds out what is missing.

6.2 A death in the family

When a member of the family reporting group dies, the package continues. On the date of death:

1. The decedent's personally held assets and their share of jointly held assets move to an estate column in Statement H, which remains in the reporting group until the estate is settled.
2. Assets included in the decedent's estate take a new tax basis, generally their value at the date of death. The deferred tax line is recomputed on the new bases, and Statement C shows the change separately, labeled as a basis adjustment at death.
3. Statement K records the date-of-death values and their sources; appraisals for the estate tax return usually serve both purposes.
4. Statement Q lists the estate's deadlines, kept by the executor and the estate attorney.

The package is often the executor's most useful document. It shows what is in the estate, what is outside it, what each item is worth, and where it is.

6.3 Divorce and separation

The family decides, with counsel, whether the reporting group divides and when. Until it does, the package continues as before, and the "How to read" page says that the package is not a statement of either spouse's separate property. Courts and counsel may use the books, which can produce each person's accounts; the package itself is not a legal division of property.

6.4 Fractional and discounted interests

A family often holds part of an asset: a 40 percent interest in a company, a 25 percent interest in a building owned with cousins, limited partnership units in a family partnership. Statement B includes the family's interest at its estimated current value. Where an appraiser has applied discounts for lack of control or lack of marketability to value a single interest (for example, for a gift tax return), the package uses the discounted value only for an interest held outside the

reporting group's control. Where the family reporting group as a whole controls the asset, the package shows the family's proportionate share of the whole, undiscounted, and Statement K notes the discounted values used for tax filings. Otherwise the family would appear poorer merely because it split an asset among its own members.

6.5 Loans and gifts within the family

Loans between entities in the reporting group are eliminated (Section 3.7). Loans to family members outside the reporting group, such as an adult child, are notes receivable (Section 4.2). Gifts out of the reporting group reduce net worth and appear in Statement C. Gifts between members of the group, for example annual gifts from parents to a trust inside the group, move value between columns of Statement H and do not change the family's net worth. The support file keeps a ledger of gifts and family loans, because the gift tax return and the estate plan depend on it.

6.6 Private foundations and donor-advised funds

A private foundation controlled by the family is shown as its own column in Statement H, marked as a charity, and is excluded from net worth in Statements B and C, because its assets are held for charitable purposes and cannot return to the family. Its assets are shown in a separate line below net worth, "Assets of the family's private foundation (not included above)." Contributions to the foundation reduce the family's net worth when made. A donor-advised fund is not in the reporting group at all; balances the family advises are noted, not included.

6.7 Foreign holdings

Foreign entities and accounts are kept in their own currencies and translated (Section 4.7). Where a foreign asset is subject to tax in its own country on a sale, the deferred tax note says so. Reporting obligations to tax authorities, which are significant for United States persons with foreign accounts and entities, belong to the family's tax preparer and are listed in Statement Q when due.

6.8 The year a business is sold

The sale of an operating company changes almost every statement. Before the sale, from the signed letter of intent, Statement B carries the business at the value indicated by the deal, and the deferred tax note shows the tax the sale would trigger. At closing, the gain is realized: the tax moves from the deferred line to taxes payable, the proceeds appear as cash and investments, and the business's column in Statement H closes. Any escrow, holdback or earnout is shown in Statement N or as a receivable at its estimated current amount. Statement Q lists the estimated tax payments the sale requires.

6.9 Digital assets and new kinds of property

Apply the principles. A new kind of asset is measured at its estimated current value from the most reliable source available, with its date and source, and its tax basis is recorded. If no reliable estimate exists, the asset is listed at cost with a note.

Part Seven. Illustrations

The illustrations that follow are the pages of a sample package prepared in Baratelli Bankable for a made-up family, the Hollis family, at October 31, 2026: one illustration for each statement in Section 3.1, in the Standard's order. Every name, company and figure is invented. The family's ten entities are kept in one set of books, consolidated with an eliminations column, and presented at both cost and estimated current value, with the deferred tax on unrealized gains between them.



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The Hollis Family

Family Office Monthly Report

October 2026

Issued November 16, 2026

CONFIDENTIAL

Prepared for the family and the advisors the family authorizes

Sample client. Every name and figure is hypothetical.

Prepared by Baratelli CPA & Accounting, PLLC in Baratelli Bankable

Prepared from the family's books for the family's use. No assurance is provided.

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Statement A. The cover: the family, the period and the preparer's contact details. No figures.



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How to read this report

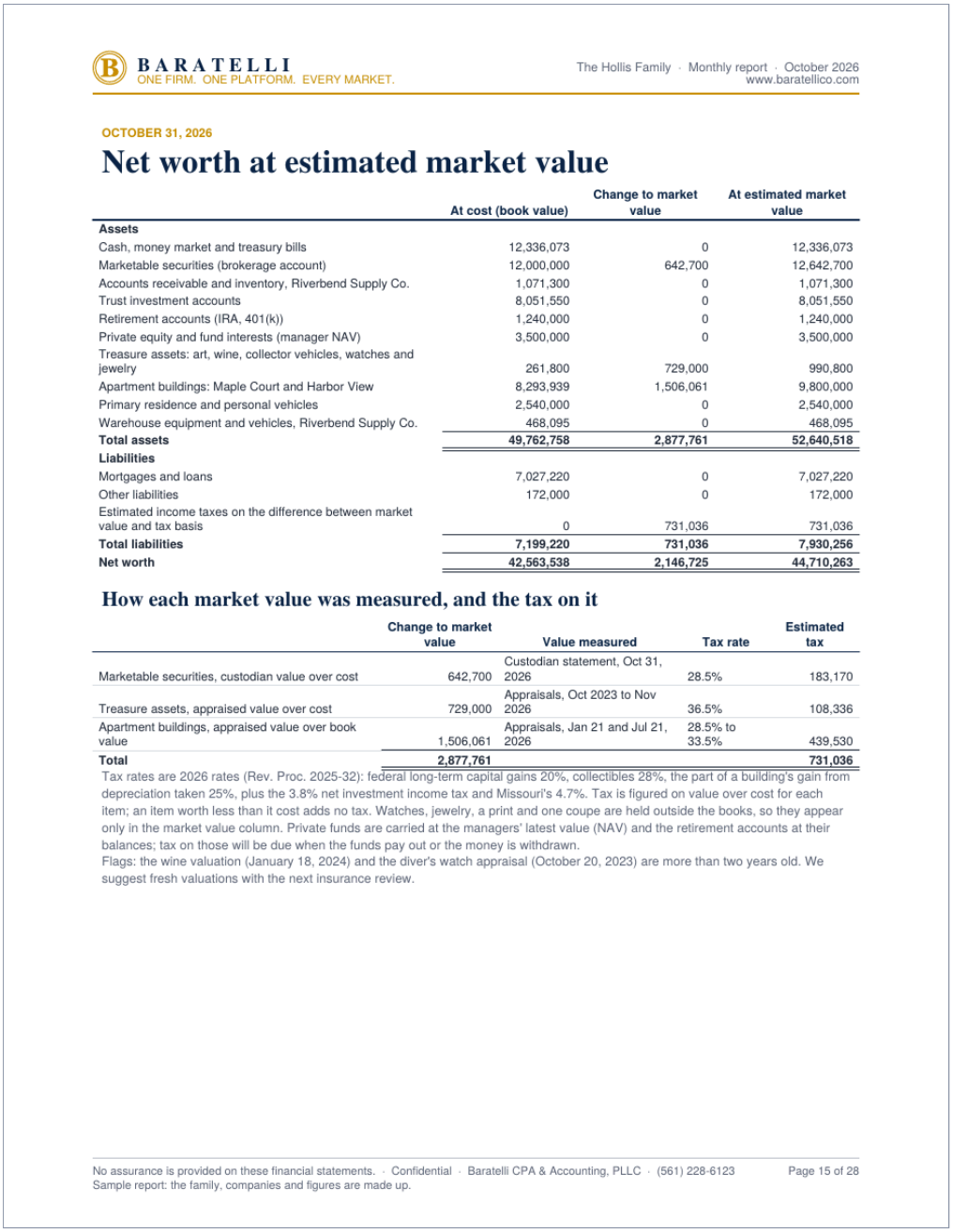
The family's ten entities (the companies, the trusts, the family office and the family's own personal accounts) are kept in one set of books in Baratelli Bankable. Each month the books are closed, every bank, brokerage and loan account is reconciled to its statement, and this report is prepared from those books.

The statements keep their standard names (balance sheet, income statement, statement of cash flows) and their standard headings, so a banker, an attorney or a trustee reads them the way they expect.

Two kinds of value appear. **Book value** is what an asset cost, which is what accounting rules require on the balance sheet. **Estimated market value** is what the asset would likely bring today, from the latest appraisal or statement. Every market value in this report shows the date it was measured.

Amounts are in U.S. dollars, rounded to the dollar. Negative amounts are shown in parentheses.

Statement A, continued. Contents and "How to read this report": the two kinds of value, rounding and negative amounts, and the monthly reconciliation.



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Net worth at estimated market value

	At cost (book value)	Change to market value	At estimated market value
Assets			
Cash, money market and treasury bills	12,336,073	0	12,336,073
Marketable securities (brokerage account)	12,000,000	642,700	12,642,700
Accounts receivable and inventory, Riverbend Supply Co.	1,071,300	0	1,071,300
Trust investment accounts	8,051,550	0	8,051,550
Retirement accounts (IRA, 401(k))	1,240,000	0	1,240,000
Private equity and fund interests (manager NAV)	3,500,000	0	3,500,000
Treasure assets: art, wine, collector vehicles, watches and jewelry	261,800	729,000	990,800
Apartment buildings: Maple Court and Harbor View	8,293,939	1,506,061	9,800,000
Primary residence and personal vehicles	2,540,000	0	2,540,000
Warehouse equipment and vehicles, Riverbend Supply Co.	468,095	0	468,095
Total assets	**49,762,758**	**2,877,761**	**52,640,518**
Liabilities			
Mortgages and loans	7,027,220	0	7,027,220
Other liabilities	172,000	0	172,000
Estimated income taxes on the difference between market value and tax basis	0	731,036	731,036
Total liabilities	**7,199,220**	**731,036**	**7,930,256**
Net worth	**42,563,538**	**2,146,725**	**44,710,263**

How each market value was measured, and the tax on it

	Change to market value	Value measured	Tax rate	Estimated tax
Marketable securities, custodian value over cost	642,700	Custodian statement, Oct 31, 2026	28.5%	183,170
Treasure assets, appraised value over cost	729,000	Appraisals, Oct 2023 to Nov 2026	36.5%	108,336
Apartment buildings, appraised value over book value	1,506,061	Appraisals, Jan 21 and Jul 21, 2026	28.5% to 33.5%	439,530
Total	**2,877,761**			**731,036**

Tax rates are 2026 rates (Rev. Proc. 2025-32): federal long-term capital gains 20%, collectibles 28%, the part of a building's gain from depreciation taken 25%, plus the 3.8% net investment income tax and Missouri's 4.7%. Tax is figured on value over cost for each item; an item worth less than it cost adds no tax. Watches, jewelry, a print and one coupe are held outside the books, so they appear only in the market value column. Private funds are carried at the managers' latest value (NAV) and the retirement accounts at their balances; tax on those will be due when the funds pay out or the money is withdrawn.
Flags: the wine valuation (January 18, 2024) and the diver's watch appraisal (October 20, 2023) are more than two years old. We suggest fresh valuations with the next insurance review.

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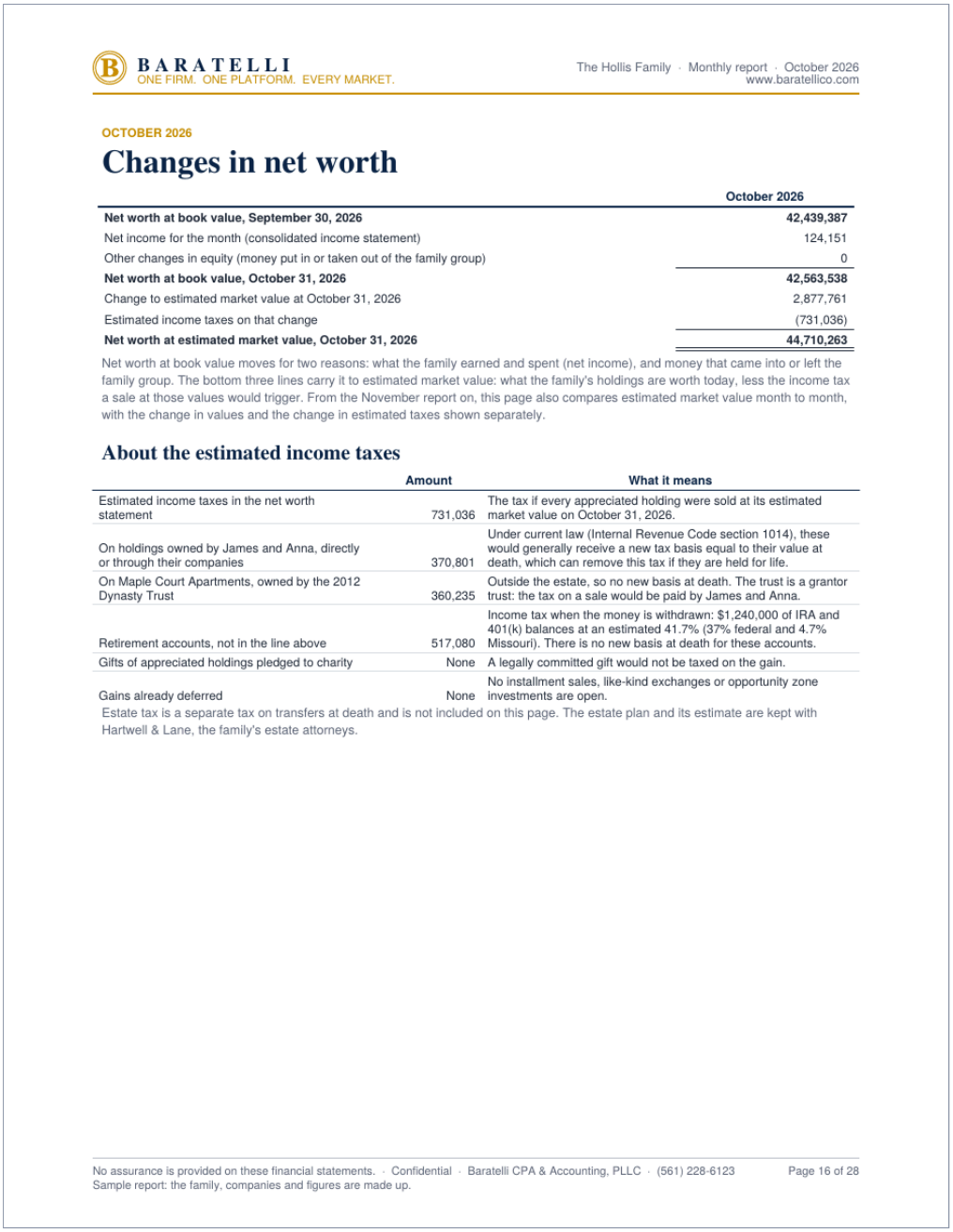
Sample report: the family, companies and figures are made up.

Statements B and J. The statement of financial condition at estimated current value, presented as the three-column bridge from book value: at cost, the change to estimated market value, and at estimated market value, with the estimated income taxes on the difference as their own line before net worth. Below it, the deferred tax schedule computed item by item, with each measurement source and rate.



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Changes in net worth

	October 2026
Net worth at book value, September 30, 2026	**42,439,387**
Net income for the month (consolidated income statement)	124,151
Other changes in equity (money put in or taken out of the family group)	0
Net worth at book value, October 31, 2026	**42,563,538**
Change to estimated market value at October 31, 2026	2,877,761
Estimated income taxes on that change	(731,036)
Net worth at estimated market value, October 31, 2026	**44,710,263**

Net worth at book value moves for two reasons: what the family earned and spent (net income), and money that came into or left the family group. The bottom three lines carry it to estimated market value: what the family's holdings are worth today, less the income tax a sale at those values would trigger. From the November report on, this page also compares estimated market value month to month, with the change in values and the change in estimated taxes shown separately.

About the estimated income taxes

	Amount	What it means
Estimated income taxes in the net worth statement	731,036	The tax if every appreciated holding were sold at its estimated market value on October 31, 2026.
On holdings owned by James and Anna, directly or through their companies	370,801	Under current law (Internal Revenue Code section 1014), these would generally receive a new tax basis equal to their value at death, which can remove this tax if they are held for life.
On Maple Court Apartments, owned by the 2012 Dynasty Trust	360,235	Outside the estate, so no new basis at death. The trust is a grantor trust: the tax on a sale would be paid by James and Anna.
Retirement accounts, not in the line above	517,080	Income tax when the money is withdrawn: $1,240,000 of IRA and 401(k) balances at an estimated 41.7% (37% federal and 4.7% Missouri). There is no new basis at death for these accounts.
Gifts of appreciated holdings pledged to charity	None	A legally committed gift would not be taxed on the gain.
Gains already deferred	None	No installment sales, like-kind exchanges or opportunity zone investments are open.

Estate tax is a separate tax on transfers at death and is not included on this page. The estate plan and its estimate are kept with Hartwell & Lane, the family's estate attorneys.

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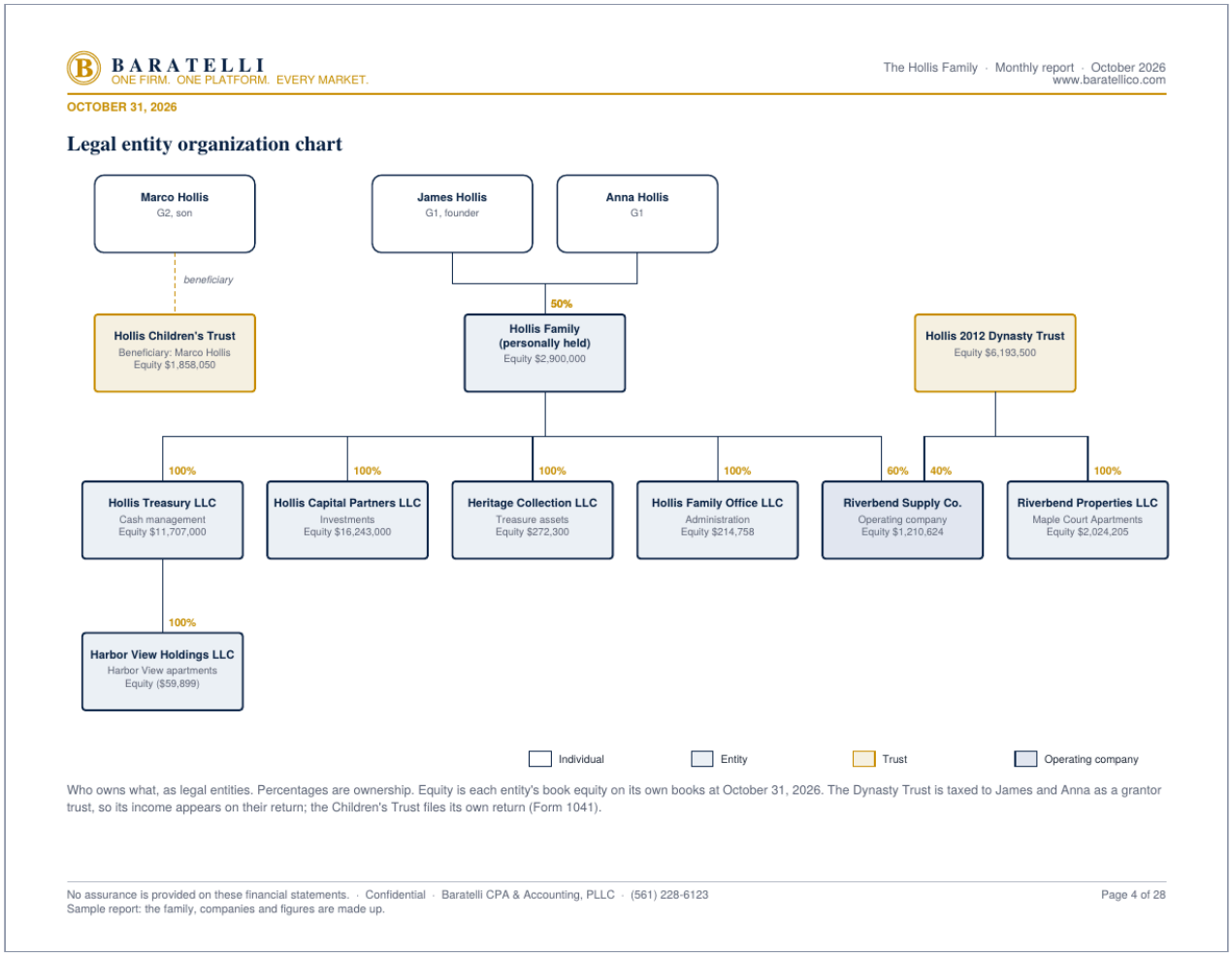
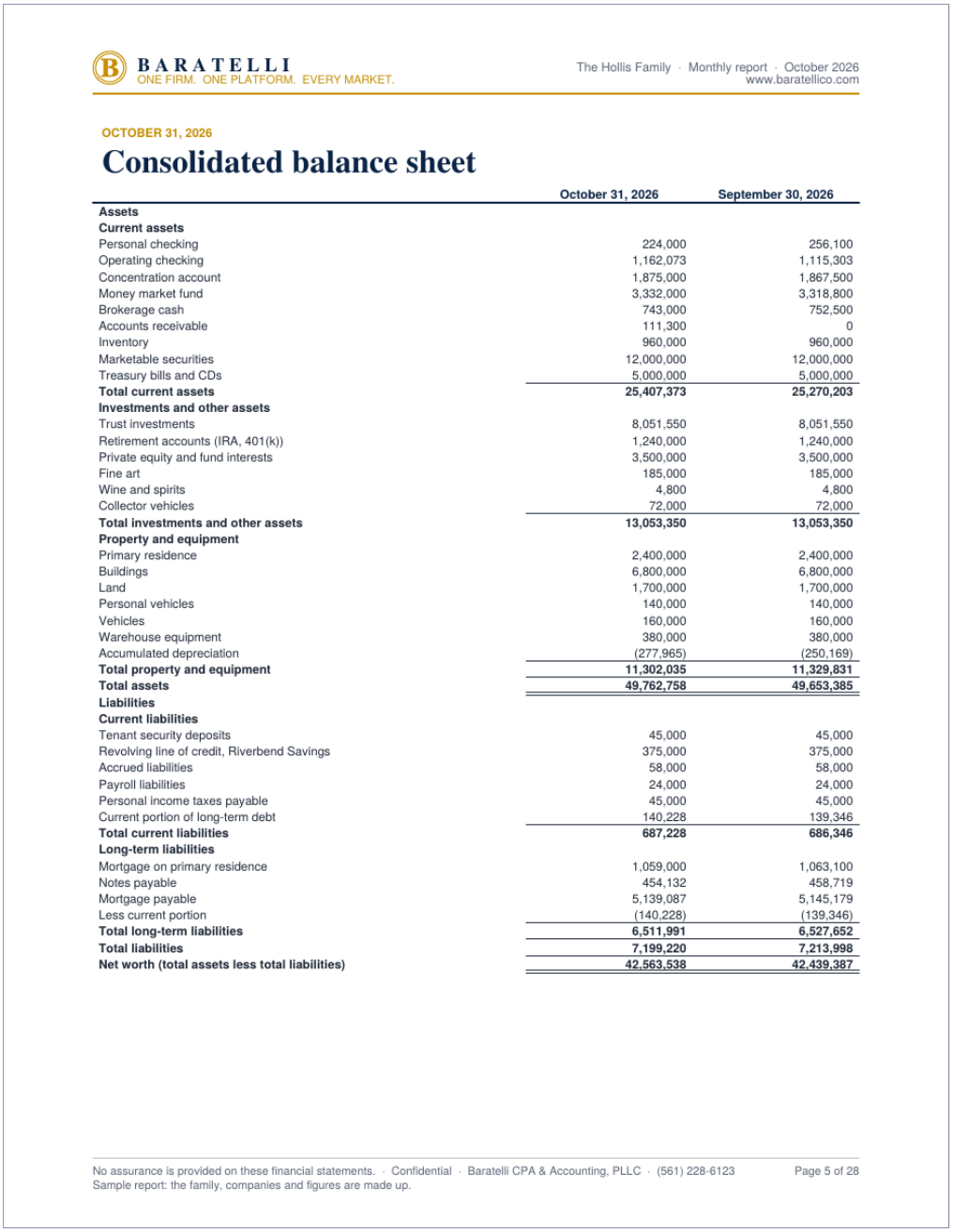
Sample report: the family, companies and figures are made up.

Statement C. Changes in net worth: book net worth at the prior month-end, net income, other changes in equity, then the change to estimated market value and the estimated taxes on it. Below it, the required note on the deferred tax (Section 4.4.4): the part that a basis step-up at death could remove, the part held in a trust outside the estate, the tax on retirement accounts when withdrawn, charitable pledges and existing deferrals.



Statement D. The legal entity organization chart: ten entities, their owners and percentages, and what each one does.



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Consolidated balance sheet

	October 31, 2026	September 30, 2026
Assets		
Current assets		
Personal checking	224,000	256,100
Operating checking	1,162,073	1,115,303
Concentration account	1,875,000	1,867,500
Money market fund	3,332,000	3,318,800
Brokerage cash	743,000	752,500
Accounts receivable	111,300	0
Inventory	960,000	960,000
Marketable securities	12,000,000	12,000,000
Treasury bills and CDs	5,000,000	5,000,000
Total current assets	**25,407,373**	**25,270,203**
Investments and other assets		
Trust investments	8,051,550	8,051,550
Retirement accounts (IRA, 401(k))	1,240,000	1,240,000
Private equity and fund interests	3,500,000	3,500,000
Fine art	185,000	185,000
Wine and spirits	4,800	4,800
Collector vehicles	72,000	72,000
Total investments and other assets	**13,053,350**	**13,053,350**
Property and equipment		
Primary residence	2,400,000	2,400,000
Buildings	6,800,000	6,800,000
Land	1,700,000	1,700,000
Personal vehicles	140,000	140,000
Vehicles	160,000	160,000
Warehouse equipment	380,000	380,000
Accumulated depreciation	(277,965)	(250,169)
Total property and equipment	**11,302,035**	**11,329,831**
Total assets	**49,762,758**	**49,653,385**
Liabilities		
Current liabilities		
Tenant security deposits	45,000	45,000
Revolving line of credit, Riverbend Savings	375,000	375,000
Accrued liabilities	58,000	58,000
Payroll liabilities	24,000	24,000
Personal income taxes payable	45,000	45,000
Current portion of long-term debt	140,228	139,346
Total current liabilities	**687,228**	**686,346**
Long-term liabilities		
Mortgage on primary residence	1,059,000	1,063,100
Notes payable	454,132	458,719
Mortgage payable	5,139,087	5,145,179
Less current portion	(140,228)	(139,346)
Total long-term liabilities	**6,511,991**	**6,527,652**
Total liabilities	**7,199,220**	**7,213,998**
Net worth (total assets less total liabilities)	**42,563,538**	**42,439,387**

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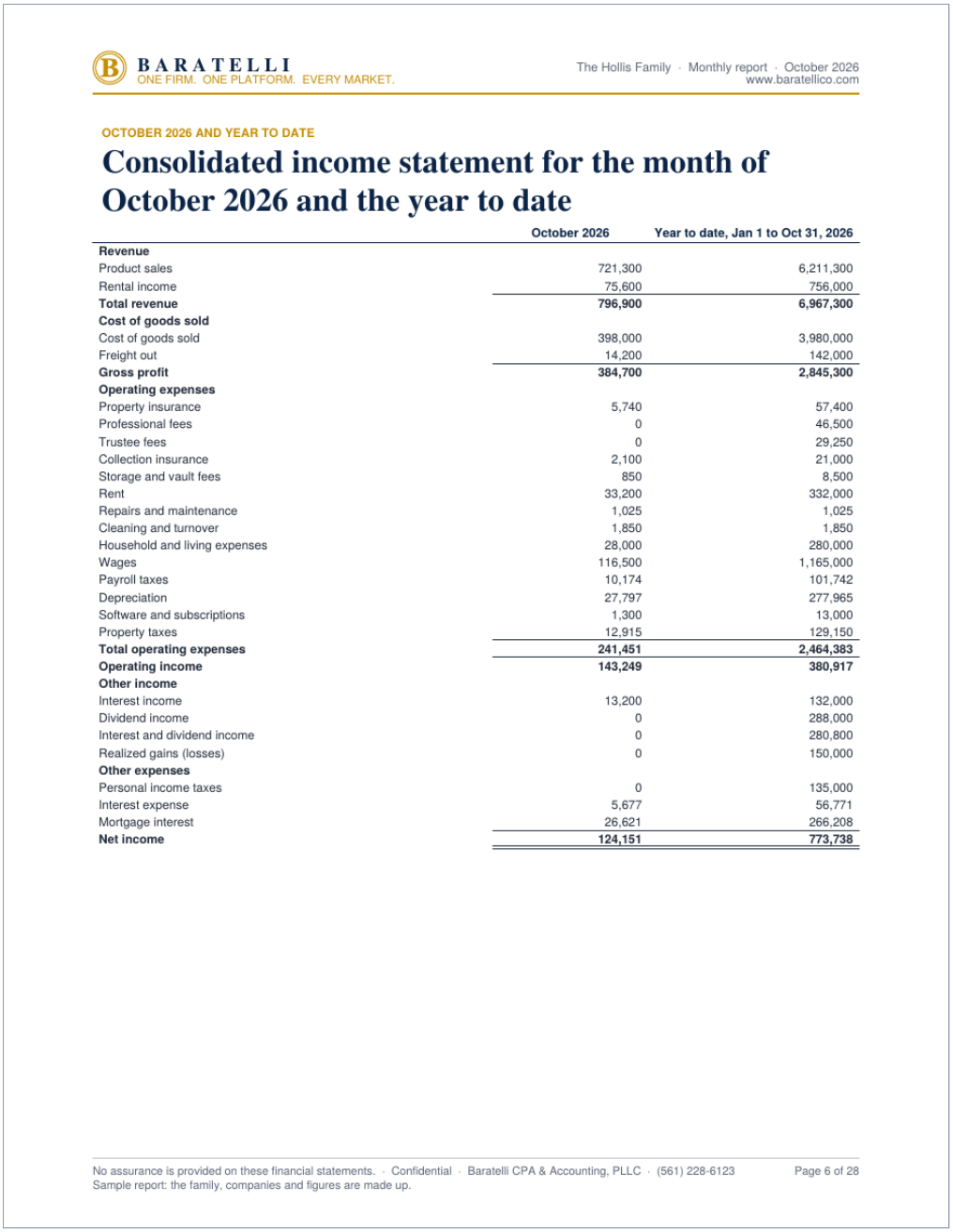
Sample report: the family, companies and figures are made up.

Statement E. The consolidated balance sheet at cost, with standard headings and the prior month-end beside the current one.



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OCTOBER 2026 AND YEAR TO DATE

Consolidated income statement for the month of October 2026 and the year to date

	October 2026	Year to date, Jan 1 to Oct 31, 2026
Revenue		
Product sales	721,300	6,211,300
Rental income	75,600	756,000
Total revenue	**796,900**	**6,967,300**
Cost of goods sold		
Cost of goods sold	398,000	3,980,000
Freight out	14,200	142,000
Gross profit	**384,700**	**2,845,300**
Operating expenses		
Property insurance	5,740	57,400
Professional fees	0	46,500
Trustee fees	0	29,250
Collection insurance	2,100	21,000
Storage and vault fees	850	8,500
Rent	33,200	332,000
Repairs and maintenance	1,025	1,025
Cleaning and turnover	1,850	1,850
Household and living expenses	28,000	280,000
Wages	116,500	1,165,000
Payroll taxes	10,174	101,742
Depreciation	27,797	277,965
Software and subscriptions	1,300	13,000
Property taxes	12,915	129,150
Total operating expenses	**241,451**	**2,464,383**
Operating income	**143,249**	**380,917**
Other income		
Interest income	13,200	132,000
Dividend income	0	288,000
Interest and dividend income	0	280,800
Realized gains (losses)	0	150,000
Other expenses		
Personal income taxes	0	135,000
Interest expense	5,677	56,771
Mortgage interest	26,621	266,208
Net income	**124,151**	**773,738**

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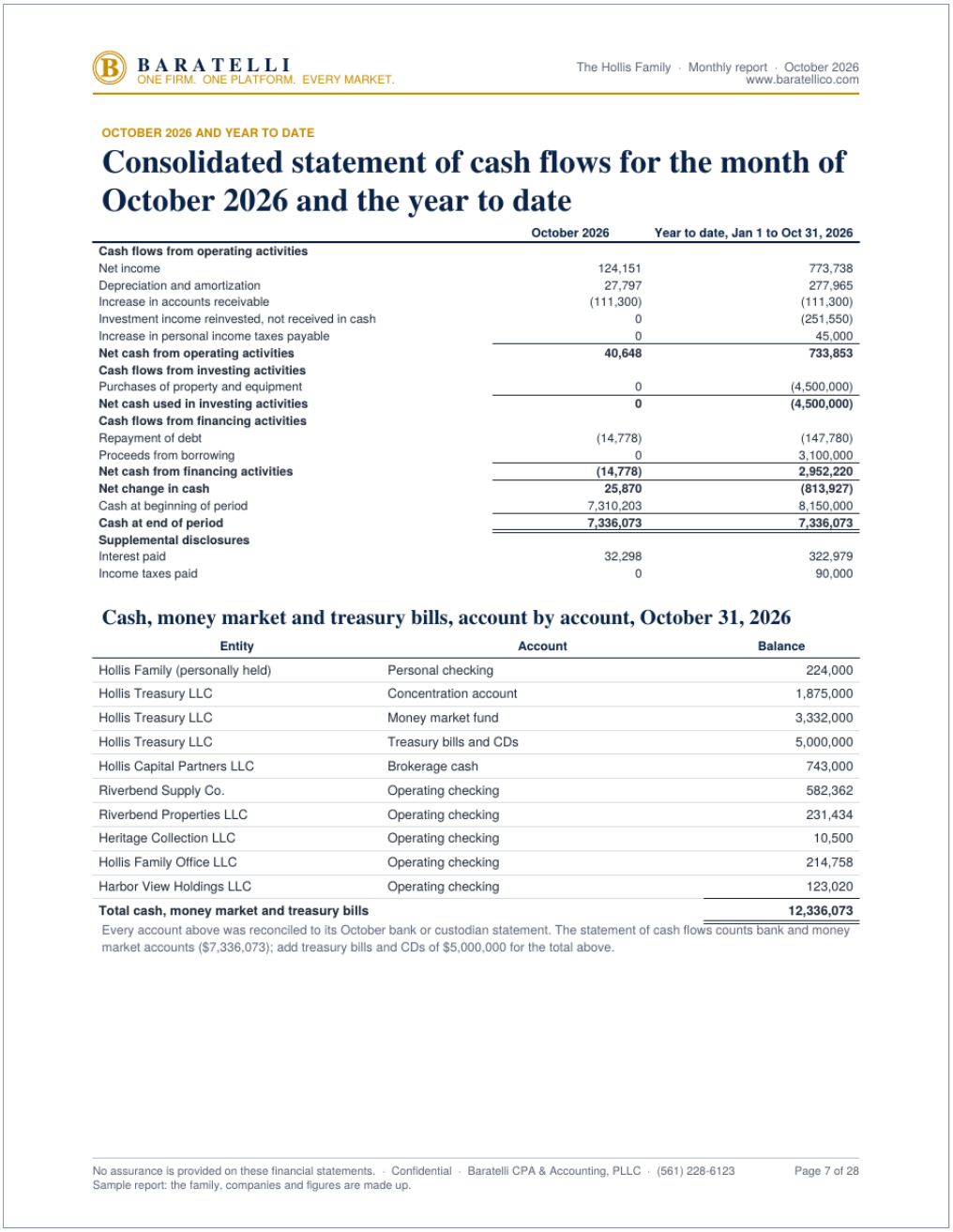
Sample report: the family, companies and figures are made up.

Statement F. The consolidated income statement for the month and the year to date.



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OCTOBER 2026 AND YEAR TO DATE

Consolidated statement of cash flows for the month of October 2026 and the year to date

	October 2026	Year to date, Jan 1 to Oct 31, 2026
Cash flows from operating activities		
Net income	124,151	773,738
Depreciation and amortization	27,797	277,965
Increase in accounts receivable	(111,300)	(111,300)
Investment income reinvested, not received in cash	0	(251,550)
Increase in personal income taxes payable	0	45,000
Net cash from operating activities	**40,648**	**733,853**
Cash flows from investing activities		
Purchases of property and equipment	0	(4,500,000)
Net cash used in investing activities	**0**	**(4,500,000)**
Cash flows from financing activities		
Repayment of debt	(14,778)	(147,780)
Proceeds from borrowing	0	3,100,000
Net cash from financing activities	**(14,778)**	**2,952,220**
Net change in cash	**25,870**	**(813,927)**
Cash at beginning of period	7,310,203	8,150,000
Cash at end of period	**7,336,073**	**7,336,073**
Supplemental disclosures		
Interest paid	32,298	322,979
Income taxes paid	0	90,000

Cash, money market and treasury bills, account by account, October 31, 2026

Entity	Account	Balance
Hollis Family (personally held)	Personal checking	224,000
Hollis Treasury LLC	Concentration account	1,875,000
Hollis Treasury LLC	Money market fund	3,332,000
Hollis Treasury LLC	Treasury bills and CDs	5,000,000
Hollis Capital Partners LLC	Brokerage cash	743,000
Riverbend Supply Co.	Operating checking	582,362
Riverbend Properties LLC	Operating checking	231,434
Heritage Collection LLC	Operating checking	10,500
Hollis Family Office LLC	Operating checking	214,758
Harbor View Holdings LLC	Operating checking	123,020
Total cash, money market and treasury bills		**12,336,073**

Every account above was reconciled to its October bank or custodian statement. The statement of cash flows counts bank and money market accounts ($7,336,073); add treasury bills and CDs of $5,000,000 for the total above.

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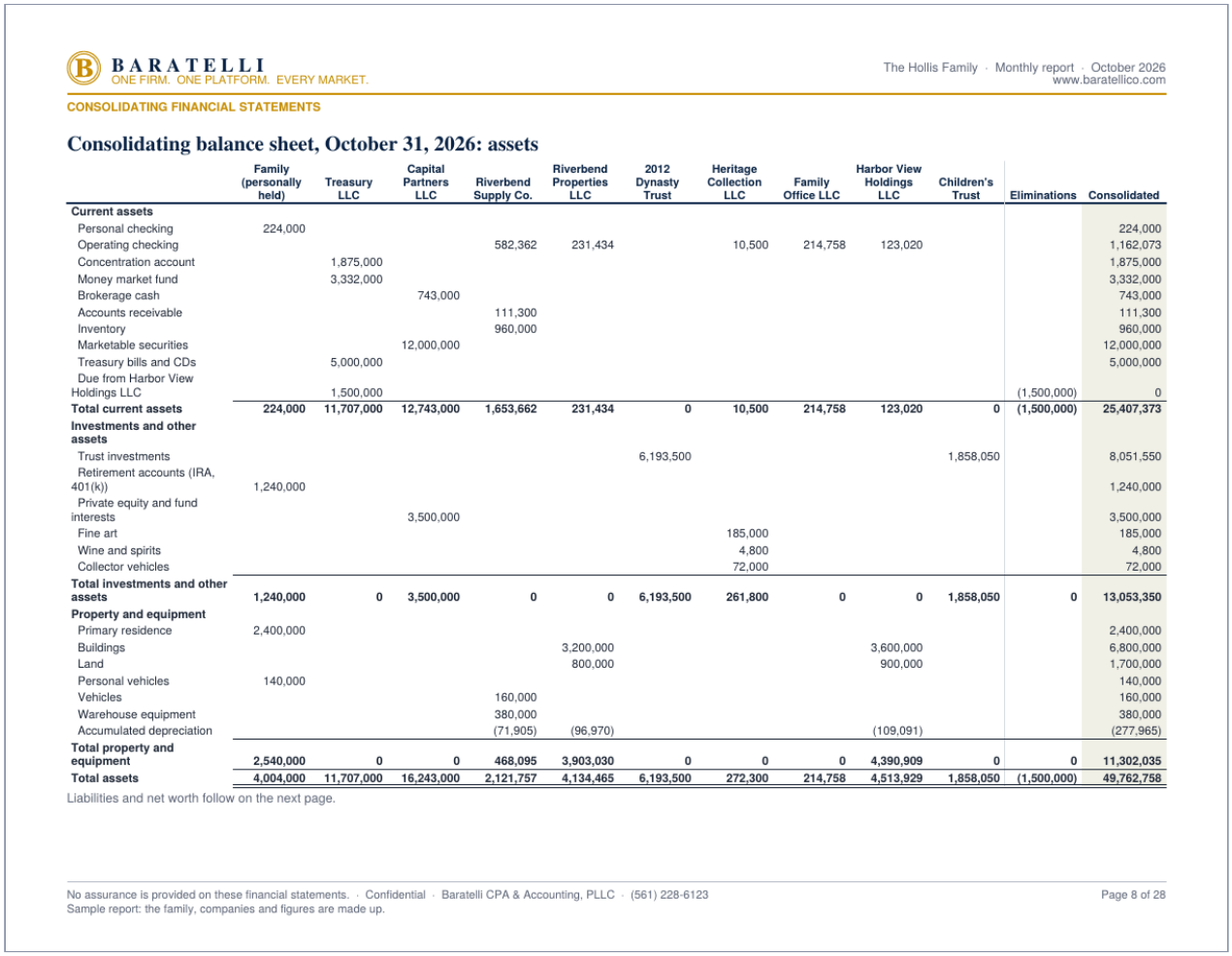
Sample report: the family, companies and figures are made up.

Statement G. The consolidated statement of cash flows for the month and the year to date, reconciled to the change in cash.



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CONSOLIDATING FINANCIAL STATEMENTS

Consolidating balance sheet, October 31, 2026: assets

	Family (personally held)	Treasury LLC	Capital Partners LLC	Riverbend Supply Co.	Riverbend Properties LLC	2012 Dynasty Trust	Heritage Collection LLC	Family Office LLC	Harbor View Holdings LLC	Children's Trust	Eliminations	Consolidated
Current assets												
Personal checking	224,000											224,000
Operating checking				582,362	231,434		10,500	214,758	123,020			1,162,073
Concentration account		1,875,000										1,875,000
Money market fund		3,332,000										3,332,000
Brokerage cash			743,000									743,000
Accounts receivable				111,300								111,300
Inventory				960,000								960,000
Marketable securities			12,000,000									12,000,000
Treasury bills and CDs		5,000,000										5,000,000
Due from Harbor View Holdings LLC		1,500,000									(1,500,000)	0
Total current assets	**224,000**	**11,707,000**	**12,743,000**	**1,653,662**	**231,434**	**0**	**10,500**	**214,758**	**123,020**	**0**	**(1,500,000)**	**25,407,373**
Investments and other assets												
Trust investments						6,193,500				1,858,050		8,051,550
Retirement accounts (IRA, 401(k))	1,240,000											1,240,000
Private equity and fund interests			3,500,000									3,500,000
Fine art							185,000					185,000
Wine and spirits							4,800					4,800
Collector vehicles							72,000					72,000
Total investments and other assets	**1,240,000**	**0**	**3,500,000**	**0**	**0**	**6,193,500**	**261,800**	**0**	**0**	**1,858,050**	**0**	**13,053,350**
Property and equipment												
Primary residence	2,400,000											2,400,000
Buildings					3,200,000				3,600,000			6,800,000
Land					800,000				900,000			1,700,000
Personal vehicles	140,000											140,000
Vehicles				160,000								160,000
Warehouse equipment				380,000								380,000
Accumulated depreciation				(71,905)	(96,970)				(109,091)			(277,965)
Total property and equipment	**2,540,000**	**0**	**0**	**468,095**	**3,903,030**	**0**	**0**	**0**	**4,390,909**	**0**	**0**	**11,302,035**
Total assets	**4,004,000**	**11,707,000**	**16,243,000**	**2,121,757**	**4,134,465**	**6,193,500**	**272,300**	**214,758**	**4,513,929**	**1,858,050**	**(1,500,000)**	**49,762,758**

Liabilities and net worth follow on the next page.

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Sample report: the family, companies and figures are made up.

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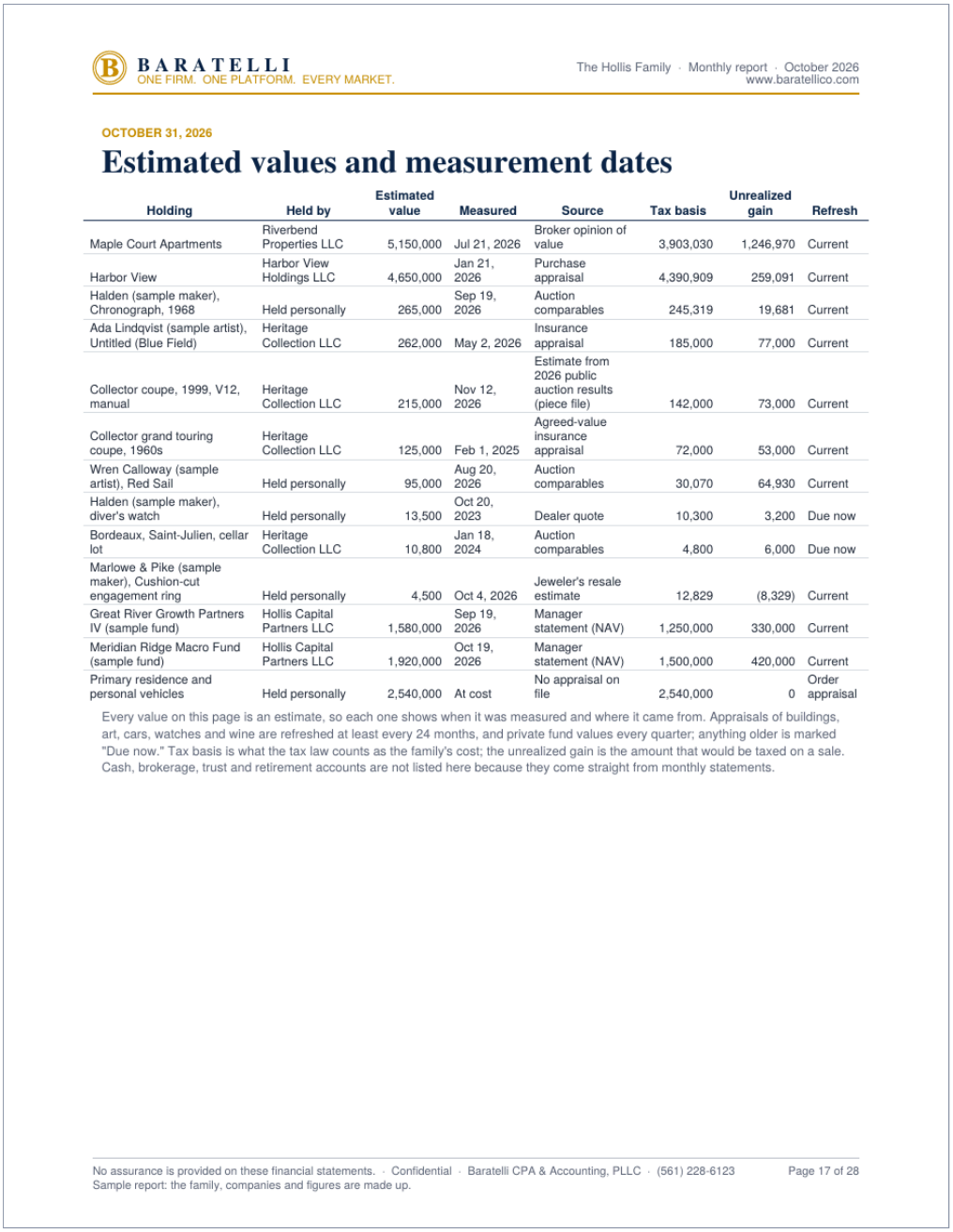
Statement H. The consolidating balance sheet: each entity in its own column, then eliminations, then the consolidated total. The full package continues with the consolidating liabilities, income statements and cash flows.



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Estimated values and measurement dates

Holding	Held by	Estimated value	Measured	Source	Tax basis	Unrealized gain	Refresh
Maple Court Apartments	Riverbend Properties LLC	5,150,000	Jul 21, 2026	Broker opinion of value	3,903,030	1,246,970	Current
Harbor View	Harbor View Holdings LLC	4,650,000	Jan 21, 2026	Purchase appraisal	4,390,909	259,091	Current
Halden (sample maker), Chronograph, 1968	Held personally	265,000	Sep 19, 2026	Auction comparables	245,319	19,681	Current
Ada Lindqvist (sample artist), Untitled (Blue Field)	Heritage Collection LLC	262,000	May 2, 2026	Insurance appraisal	185,000	77,000	Current
Collector coupe, 1999, V12, manual	Heritage Collection LLC	215,000	Nov 12, 2026	Estimate from 2026 public auction results (piece file)	142,000	73,000	Current
Collector grand touring coupe, 1960s	Heritage Collection LLC	125,000	Feb 1, 2025	Agreed-value insurance appraisal	72,000	53,000	Current
Wren Calloway (sample artist), Red Sail	Held personally	95,000	Aug 20, 2026	Auction comparables	30,070	64,930	Current
Halden (sample maker), diver's watch	Held personally	13,500	Oct 20, 2023	Dealer quote	10,300	3,200	Due now
Bordeaux, Saint-Julien, cellar lot	Heritage Collection LLC	10,800	Jan 18, 2024	Auction comparables	4,800	6,000	Due now
Marlowe & Pike (sample maker), Cushion-cut engagement ring	Held personally	4,500	Oct 4, 2026	Jeweler's resale estimate	12,829	(8,329)	Current
Great River Growth Partners IV (sample fund)	Hollis Capital Partners LLC	1,580,000	Sep 19, 2026	Manager statement (NAV)	1,250,000	330,000	Current
Meridian Ridge Macro Fund (sample fund)	Hollis Capital Partners LLC	1,920,000	Oct 19, 2026	Manager statement (NAV)	1,500,000	420,000	Current
Primary residence and personal vehicles	Held personally	2,540,000	At cost	No appraisal on file	2,540,000	0	Order appraisal

Every value on this page is an estimate, so each one shows when it was measured and where it came from. Appraisals of buildings, art, cars, watches and wine are refreshed at least every 24 months, and private fund values every quarter; anything older is marked "Due now." Tax basis is what the tax law counts as the family's cost; the unrealized gain is the amount that would be taxed on a sale. Cash, brokerage, trust and retirement accounts are not listed here because they come straight from monthly statements.

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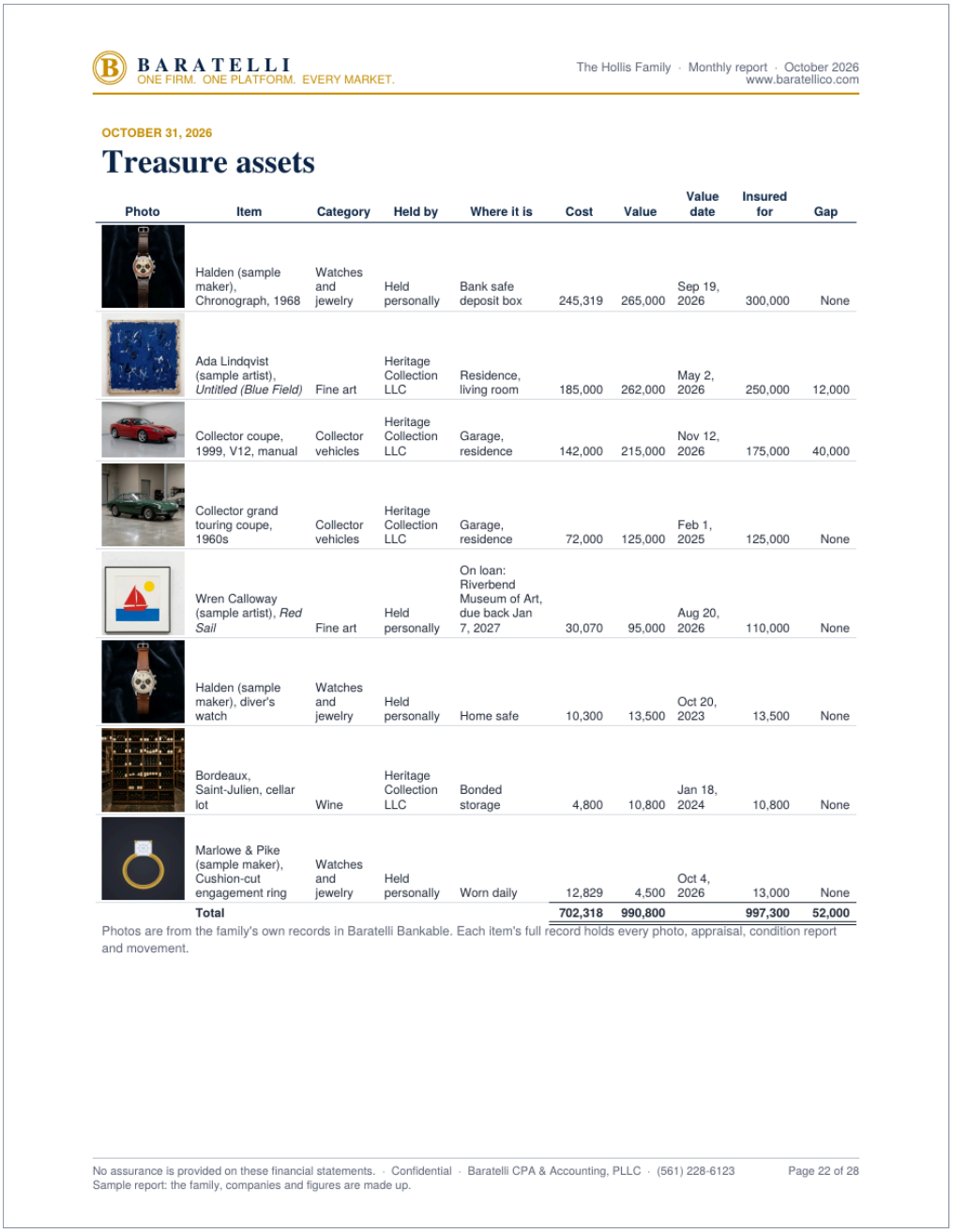
Sample report: the family, companies and figures are made up.

Statement K. Estimated values and measurement dates: every estimate with its date, source, tax basis and unrealized gain. Estimates past their refresh period are marked "Due now", and an asset with no appraisal on file is marked for one.



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Treasure assets

Photo	Item	Category	Held by	Where it is	Cost	Value	Value date	Insured for	Gap
	Halden (sample maker), Chronograph, 1968	Watches and jewelry	Held personally	Bank safe deposit box	245,319	265,000	Sep 19, 2026	300,000	None
	Ada Lindqvist (sample artist), *Untitled (Blue Field)*	Fine art	Heritage Collection LLC	Residence, living room	185,000	262,000	May 2, 2026	250,000	12,000
	Collector coupe, 1999, V12, manual	Collector vehicles	Heritage Collection LLC	Garage, residence	142,000	215,000	Nov 12, 2026	175,000	40,000
	Collector grand touring coupe, 1960s	Collector vehicles	Heritage Collection LLC	Garage, residence	72,000	125,000	Feb 1, 2025	125,000	None
	Wren Calloway (sample artist), *Red Sail*	Fine art	Held personally	On loan: Riverbend Museum of Art, due back Jan 7, 2027	30,070	95,000	Aug 20, 2026	110,000	None
	Halden (sample maker), diver's watch	Watches and jewelry	Held personally	Home safe	10,300	13,500	Oct 20, 2023	13,500	None
	Bordeaux, Saint-Julien, cellar lot	Wine	Heritage Collection LLC	Bonded storage	4,800	10,800	Jan 18, 2024	10,800	None
	Marlowe & Pike (sample maker), Cushion-cut engagement ring	Watches and jewelry	Held personally	Worn daily	12,829	4,500	Oct 4, 2026	13,000	None
	Total				**702,318**	**990,800**		**997,300**	**52,000**

Photos are from the family's own records in Baratelli Bankable. Each item's full record holds every photo, appraisal, condition report and movement.

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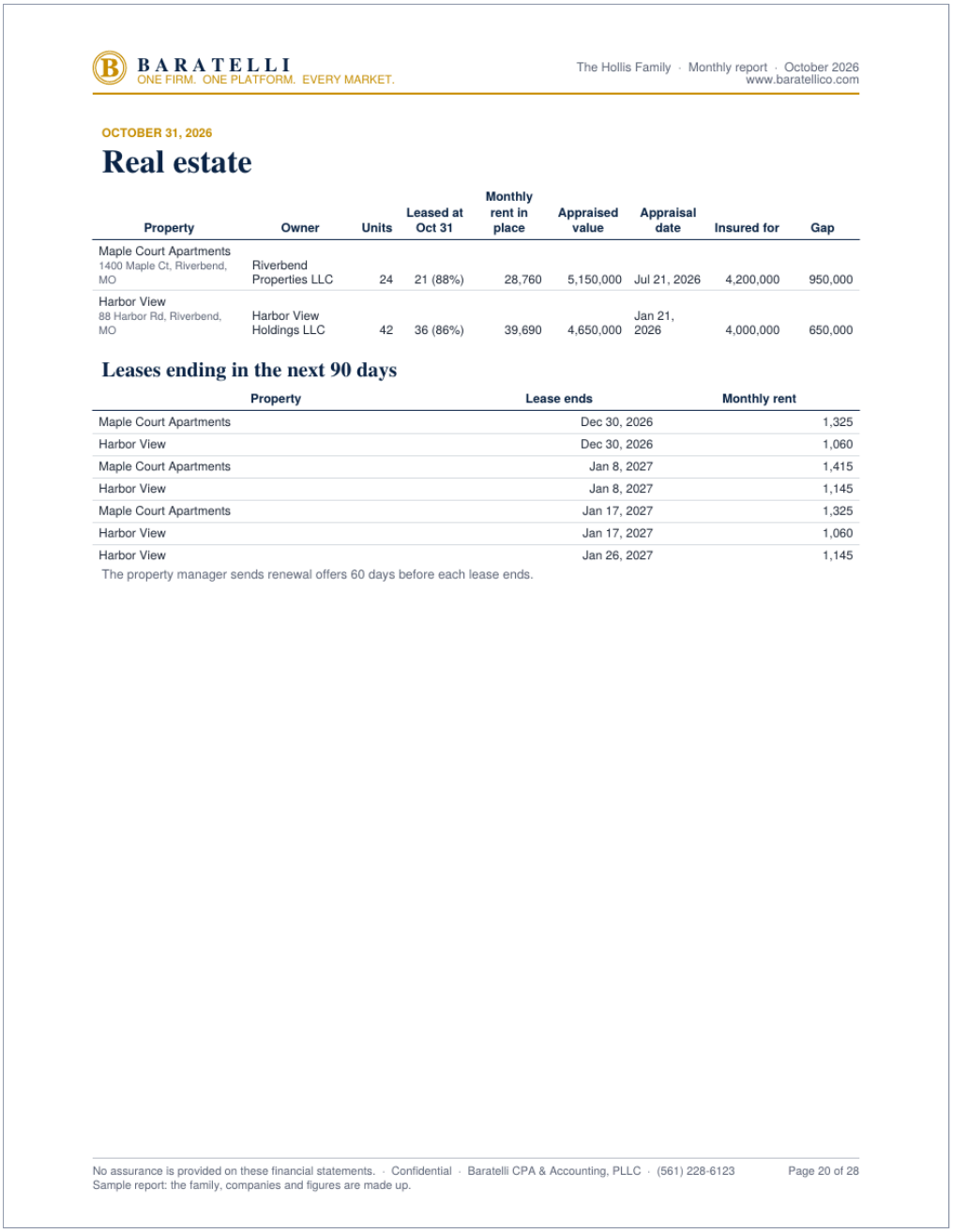
Sample report: the family, companies and figures are made up.

Statement L. Treasure assets item by item: the holder, where each piece is, cost, value and its date, the insured amount and the gap.



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Real estate

Property	Owner	Units	Leased at Oct 31	Monthly rent in place	Appraised value	Appraisal date	Insured for	Gap
Maple Court Apartments 1400 Maple Ct, Riverbend, MO	Riverbend Properties LLC	24	21 (88%)	28,760	5,150,000	Jul 21, 2026	4,200,000	950,000
Harbor View 88 Harbor Rd, Riverbend, MO	Harbor View Holdings LLC	42	36 (86%)	39,690	4,650,000	Jan 21, 2026	4,000,000	650,000

Leases ending in the next 90 days

Property	Lease ends	Monthly rent
Maple Court Apartments	Dec 30, 2026	1,325
Harbor View	Dec 30, 2026	1,060
Maple Court Apartments	Jan 8, 2027	1,415
Harbor View	Jan 8, 2027	1,145
Maple Court Apartments	Jan 17, 2027	1,325
Harbor View	Jan 17, 2027	1,060
Harbor View	Jan 26, 2027	1,145

The property manager sends renewal offers 60 days before each lease ends.

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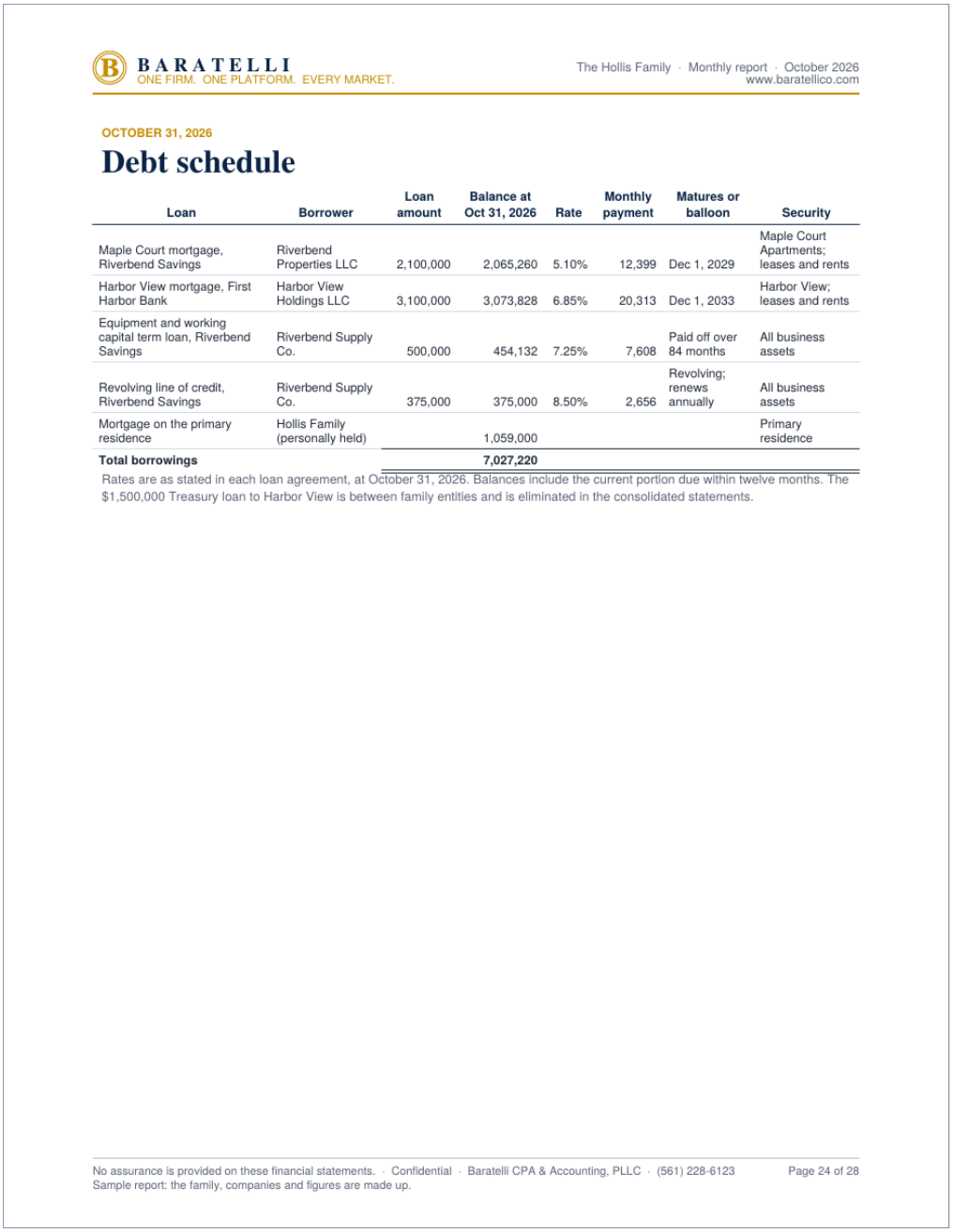
Sample report: the family, companies and figures are made up.

Statement M. Real estate property by property: owner, occupancy, appraised value and date, insured amount and the gap.



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Debt schedule

Loan	Borrower	Loan amount	Balance at Oct 31, 2026	Rate	Monthly payment	Matures or balloon	Security
Maple Court mortgage, Riverbend Savings	Riverbend Properties LLC	2,100,000	2,065,260	5.10%	12,399	Dec 1, 2029	Maple Court Apartments; leases and rents
Harbor View mortgage, First Harbor Bank	Harbor View Holdings LLC	3,100,000	3,073,828	6.85%	20,313	Dec 1, 2033	Harbor View; leases and rents
Equipment and working capital term loan, Riverbend Savings	Riverbend Supply Co.	500,000	454,132	7.25%	7,608	Paid off over 84 months	All business assets
Revolving line of credit, Riverbend Savings	Riverbend Supply Co.	375,000	375,000	8.50%	2,656	Revolving; renews annually	All business assets
Mortgage on the primary residence	Hollis Family (personally held)		1,059,000				Primary residence
Total borrowings			**7,027,220**				

Rates are as stated in each loan agreement, at October 31, 2026. Balances include the current portion due within twelve months. The $1,500,000 Treasury loan to Harbor View is between family entities and is eliminated in the consolidated statements.

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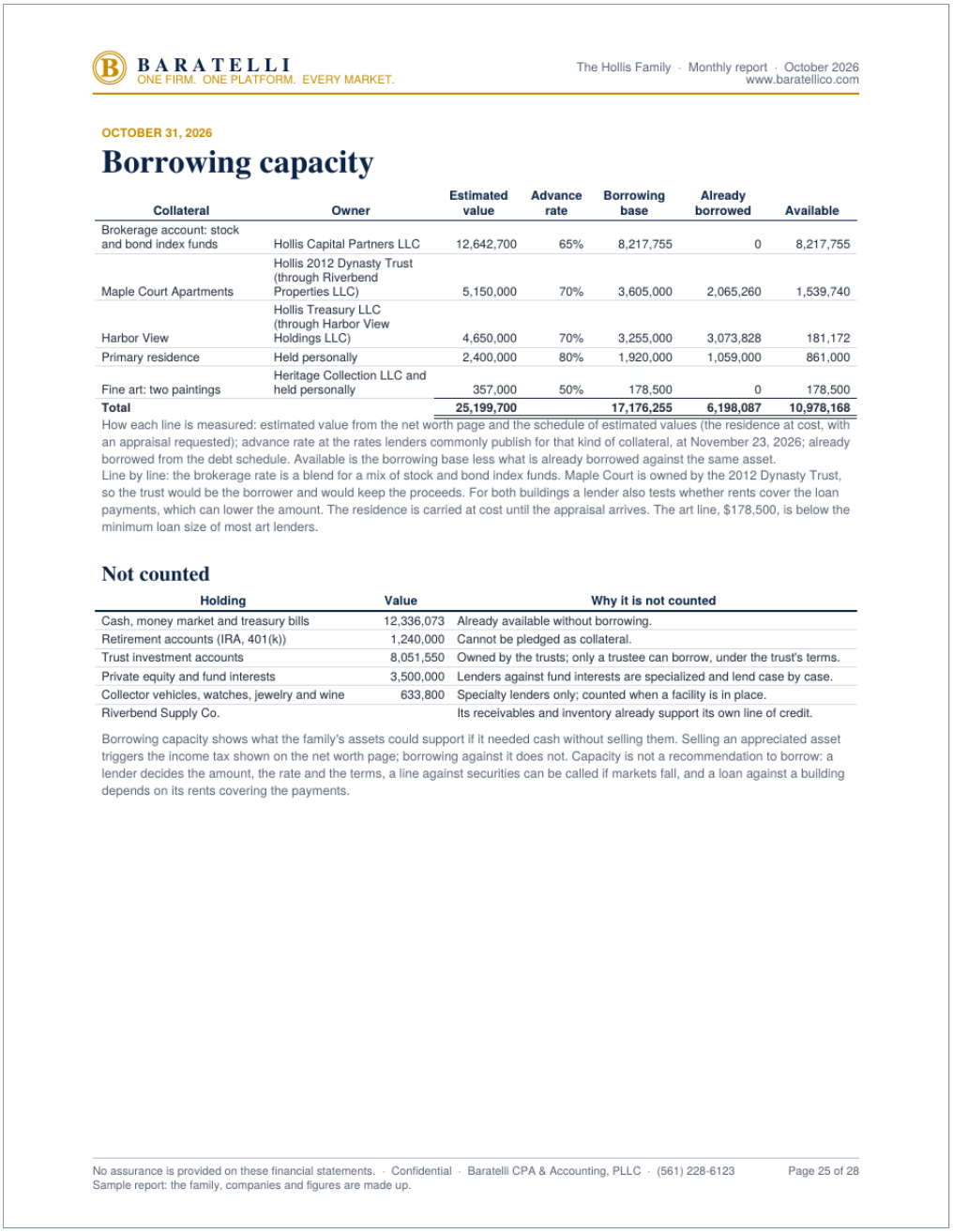
Sample report: the family, companies and figures are made up.

Statement N. Liabilities: every loan with its lender, rate, maturity and collateral. Unfunded fund commitments appear with the private funds in the full package.



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Borrowing capacity

Collateral	Owner	Estimated value	Advance rate	Borrowing base	Already borrowed	Available
Brokerage account: stock and bond index funds	Hollis Capital Partners LLC	12,642,700	65%	8,217,755	0	8,217,755
Maple Court Apartments	Hollis 2012 Dynasty Trust (through Riverbend Properties LLC)	5,150,000	70%	3,605,000	2,065,260	1,539,740
Harbor View	Hollis Treasury LLC (through Harbor View Holdings LLC)	4,650,000	70%	3,255,000	3,073,828	181,172
Primary residence	Held personally	2,400,000	80%	1,920,000	1,059,000	861,000
Fine art: two paintings	Heritage Collection LLC and held personally	357,000	50%	178,500	0	178,500
Total		**25,199,700**		**17,176,255**	**6,198,087**	**10,978,168**

How each line is measured: estimated value from the net worth page and the schedule of estimated values (the residence at cost, with an appraisal requested); advance rate at the rates lenders commonly publish for that kind of collateral, at November 23, 2026; already borrowed from the debt schedule. Available is the borrowing base less what is already borrowed against the same asset.
Line by line: the brokerage rate is a blend for a mix of stock and bond index funds. Maple Court is owned by the 2012 Dynasty Trust, so the trust would be the borrower and would keep the proceeds. For both buildings a lender also tests whether rents cover the loan payments, which can lower the amount. The residence is carried at cost until the appraisal arrives. The art line, $178,500, is below the minimum loan size of most art lenders.

Not counted

Holding	Value	Why it is not counted
Cash, money market and treasury bills	12,336,073	Already available without borrowing.
Retirement accounts (IRA, 401(k))	1,240,000	Cannot be pledged as collateral.
Trust investment accounts	8,051,550	Owned by the trusts; only a trustee can borrow, under the trust's terms.
Private equity and fund interests	3,500,000	Lenders against fund interests are specialized and lend case by case.
Collector vehicles, watches, jewelry and wine	633,800	Specialty lenders only; counted when a facility is in place.
Riverbend Supply Co.		Its receivables and inventory already support its own line of credit.

Borrowing capacity shows what the family's assets could support if it needed cash without selling them. Selling an appreciated asset triggers the income tax shown on the net worth page; borrowing against it does not. Capacity is not a recommendation to borrow: a lender decides the amount, the rate and the terms, a line against securities can be called if markets fall, and a loan against a building depends on its rents covering the payments.

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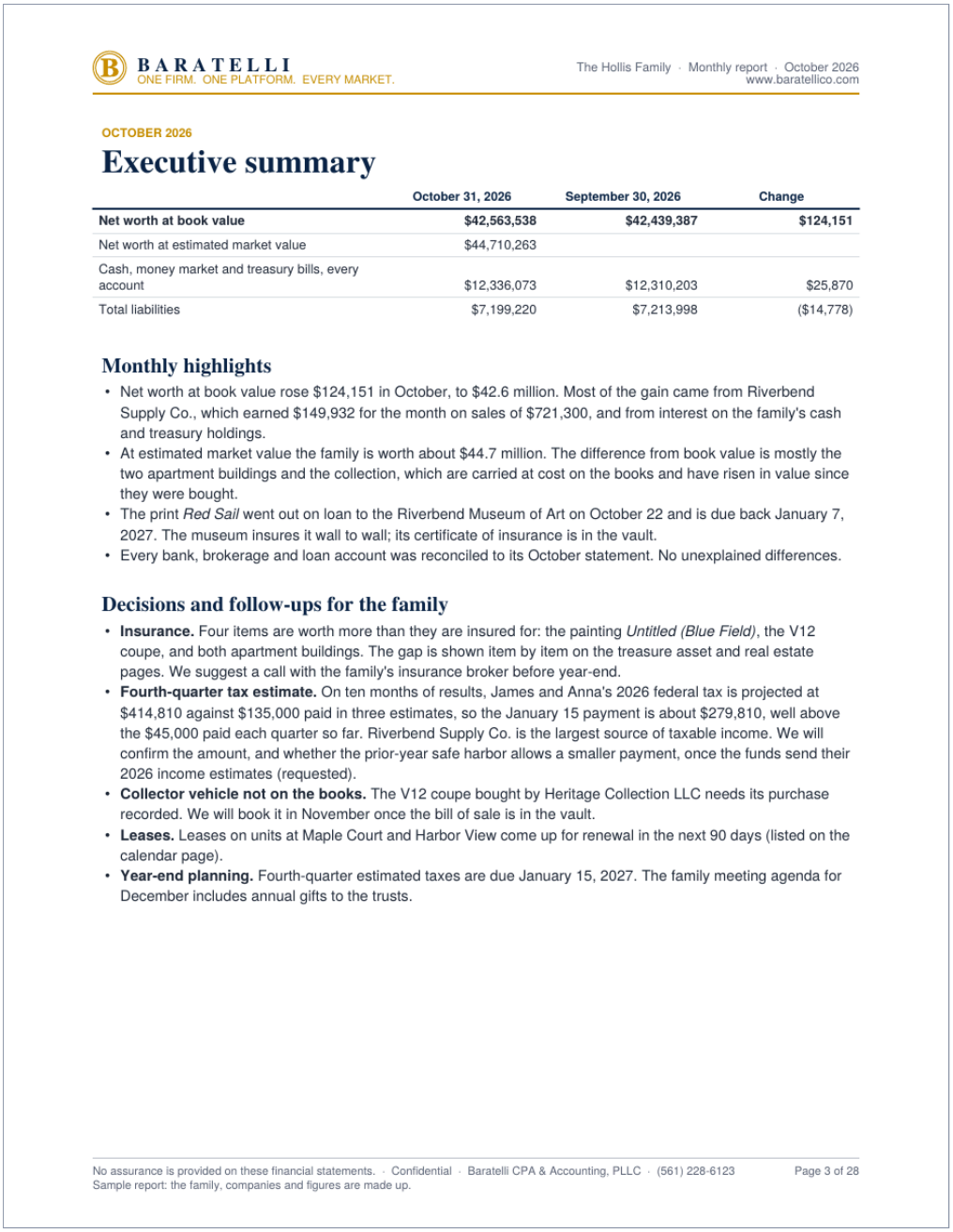
Sample report: the family, companies and figures are made up.

Statement P. Borrowing capacity: each collateral at its estimated value and advance rate, the borrowing base, what is already borrowed against it and what is available, followed by the holdings not counted and why.



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Executive summary

	October 31, 2026	September 30, 2026	Change
Net worth at book value	**$42,563,538**	**$42,439,387**	**$124,151**
Net worth at estimated market value	$44,710,263		
Cash, money market and treasury bills, every account	$12,336,073	$12,310,203	$25,870
Total liabilities	$7,199,220	$7,213,998	($14,778)

Monthly highlights

- Net worth at book value rose $124,151 in October, to $42.6 million. Most of the gain came from Riverbend Supply Co., which earned $149,932 for the month on sales of $721,300, and from interest on the family's cash and treasury holdings.
- At estimated market value the family is worth about $44.7 million. The difference from book value is mostly the two apartment buildings and the collection, which are carried at cost on the books and have risen in value since they were bought.
- The print *Red Sail* went out on loan to the Riverbend Museum of Art on October 22 and is due back January 7, 2027. The museum insures it wall to wall; its certificate of insurance is in the vault.
- Every bank, brokerage and loan account was reconciled to its October statement. No unexplained differences.

Decisions and follow-ups for the family

- **Insurance.** Four items are worth more than they are insured for: the painting *Untitled (Blue Field)*, the V12 coupe, and both apartment buildings. The gap is shown item by item on the treasure asset and real estate pages. We suggest a call with the family's insurance broker before year-end.
- **Fourth-quarter tax estimate.** On ten months of results, James and Anna's 2026 federal tax is projected at $414,810 against $135,000 paid in three estimates, so the January 15 payment is about $279,810, well above the $45,000 paid each quarter so far. Riverbend Supply Co. is the largest source of taxable income. We will confirm the amount, and whether the prior-year safe harbor allows a smaller payment, once the funds send their 2026 income estimates (requested).
- **Collector vehicle not on the books.** The V12 coupe bought by Heritage Collection LLC needs its purchase recorded. We will book it in November once the bill of sale is in the vault.
- **Leases.** Leases on units at Maple Court and Harbor View come up for renewal in the next 90 days (listed on the calendar page).
- **Year-end planning.** Fourth-quarter estimated taxes are due January 15, 2027. The family meeting agenda for December includes annual gifts to the trusts.

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Sample report: the family, companies and figures are made up.

Statement Q. Decisions and follow-ups for the family, at the end of the executive summary: each one names the action and the date.

Part Eight. Compliance checklist

A preparer confirms each item before issuing a package under the Standard. The reviewer initials the completed checklist, and it is kept in the support file.

No.	Requirement	Ref	Done
1	Every entity in the family reporting group appears on the organization chart and in the consolidating statements	3.5, 3.7	[ ]
2	Every entity posts to the same chart of accounts	Principle 3	[ ]
3	Every bank, brokerage, loan and card account reconciled for the month	5.6	[ ]
4	Intercompany balances agree on both sides; every elimination has two sides	3.7	[ ]
5	Consolidated cash flow reconciles to the change in cash	3.6	[ ]
6	Statement of financial condition at estimated current value, by liquidity, with estimated taxes before net worth	3.3	[ ]
7	Large closely held business interests shown as one net amount in Statement B	3.3	[ ]
8	Statement of changes in net worth included	3.4	[ ]
9	Book-to-current-value bridge reconciles both net worth figures	3.8	[ ]
10	Every estimate shows its measurement date and source	4.3, 3.9	[ ]
11	Stale estimates flagged and listed in follow-ups	4.6	[ ]
12	Deferred tax computed asset by asset by character of gain; rates and year stated; schedule totals to Statement B	4.4.2, 4.4.3	[ ]
12a	Deferred tax note quantifies step-up, retirement accounts, grantor trusts, charitable intentions and existing deferrals	4.4.4	[ ]
13	Assets held outside the books included and labeled	4.5	[ ]
14	Treasure assets listed item by item with insured amount and gap	3.10	[ ]
15	Real estate listed property by property with insured amount and gap	3.11	[ ]
16	Guarantees, unfunded commitments and pledges listed	3.12	[ ]
17	Standard statement names and headings used	5.1	[ ]
18	Plain-language note beside every statement	5.2	[ ]
19	Numbers right-aligned, negatives in parentheses, rules over subtotals and under totals	5.3	[ ]
20	Cover shows no figures	3.2	[ ]
21	Page x of y and confidentiality line on every page	5.5	[ ]
22	No-assurance statement on every page where a CPA firm prepared the package	5.9	[ ]
23	Decisions and follow-ups name who acts and by when	3.14	[ ]
23a	Borrowing capacity shown by collateral, with advance rates dated, existing borrowings deducted and exclusions listed	3.13, 4.8	[ ]
24	Reference to the Standard used only if every requirement is met, or departures listed	5.10	[ ]
25	The boundary of the family reporting group is written on the "How to read" page	1.2	[ ]
26	Outsiders' share of any entity not wholly owned shown as noncontrolling interest	3.6, 3.7	[ ]

No.	Requirement	Ref	Done
27	Insurance appraisals used as values are labeled as replacement value, with a fair market value appraisal in follow-ups	4.2	[ ]
28	Private fund values rolled forward from the last NAV for calls and distributions only	4.2	[ ]
29	Package reviewed by someone other than the preparer, or the next-day review recorded	5.6	[ ]
30	Support file complete for the month and retained	5.8	[ ]

Part Nine. Definitions

Terms are listed alphabetically.

Advance rate. The share of a collateral's value a lender will lend against, such as 50 percent of a painting's appraised value.

Basis step-up. Under Internal Revenue Code section 1014, the tax basis of most property included in a decedent's estate becomes its value at the date of death, which can remove the income tax on gains that arose during the decedent's life.

Borrowing base. A collateral's estimated value times its advance rate: the most a lender would ordinarily lend against it.

Borrowing capacity. The borrowing base less what is already borrowed against the same collateral (Statement P).

Closely held business. A business whose ownership interests are not traded on a public market, such as a family company or a private partnership.

Consolidated statements. Statements that present the family reporting group as one economic unit, after eliminations.

Consolidating statements. Statements that show each entity of the family reporting group in its own column, followed by an eliminations column and the consolidated total.

Deferred tax on unrealized gains. The estimated income taxes that would be due if every asset were sold, and every liability settled, at its estimated current value on the statement date. Shown in Statement B as "Estimated income taxes on the difference between estimated current values and tax bases."

Elimination. An adjustment that removes a balance or a transaction between two members of the family reporting group, so that it is not counted twice in the consolidated total.

Estimated current amount (of a liability). The discounted amount of the cash to be paid, as defined in ASC 274; for most loans, close to the payoff balance.

Estimated current value (of an asset). The amount for which an item could be exchanged between a well-informed, willing buyer and seller, neither of whom is compelled to buy or sell, as defined in ASC 274.

Fair market value. The price at which property would change hands between a willing buyer and a willing seller, neither under compulsion and both with reasonable knowledge of the facts. For treasure assets, usually the auction market.

Family reporting group. One or more related individuals and every entity, trust, account and asset they own or control, presented together under the Standard.

Grantor trust. A trust whose income is taxed to the person who created it (or another person treated as its owner) rather than to the trust itself.

Loan-to-value. A loan's balance divided by the value of the collateral securing it.

Measurement date. The date as of which an estimated value was determined, such as the date of an appraisal or of a custodian statement.

Net asset value (NAV). A private fund manager's estimate of the value of an investor's interest in the fund, as of a stated date.

Net worth. Total assets less total liabilities, and, in the statement of financial condition, less estimated income taxes on the difference between estimated current values and tax bases.

Noncontrolling interest. The share of an entity's equity owned by someone outside the family reporting group.

Refresh period. The longest time an estimate may stand before it is flagged as stale (Section 4.2).

Replacement value. The cost to buy a comparable item at retail, used in insurance appraisals. Usually higher than fair market value.

Support file. The reconciliations, source documents, computations and review record behind a package, kept for at least seven years (Section 5.8).

Tax basis. The amount used to compute gain or loss for income tax purposes when an asset is sold.

Treasure assets. Art, collector vehicles, watches, jewelry, wine, collectibles and similar personal-use or passion assets held for enjoyment and value.

Unrealized gain. The excess of an asset's estimated current value over its tax basis, not yet taxed because the asset has not been sold.

Part Ten. Adopting the Standard

A family, family office or accounting firm can adopt the Standard in four stages. A family with a handful of entities can usually complete the first package within a few months; a larger family takes longer, mostly waiting for appraisals.

Stage 1. Draw the family reporting group

List every person, entity, trust and account, with who owns what and in what share. Gather the operating agreements, trust instruments and the latest tax returns for each. Decide the boundary (Section 1.2) and write it down. This becomes Statement D.

Stage 2. Put every entity on one set of books

Set up each entity in one system on one chart of accounts. Bring in opening balances from each entity's last tax return or balance sheet. Set up the intercompany accounts on both sides. Connect every bank, card and brokerage account. Close the first month and reconcile everything.

Stage 3. Gather the estimates

For every asset carried at an estimate, collect the latest value, its date, its source and its tax basis. Schedule appraisals for anything past its refresh period or with no estimate at all, starting with the largest items and the ones insured for the least. Record each in Statement K as it arrives.

Stage 4. Prepare the first package and run the checklist

Prepare the package in the order of Section 3.1. Compute the deferred tax and write its note. Run the checklist in Part Eight. Issue the package with the "How to read" page stating what is still to come (Section 6.1). Then close and issue it every month.

Tools

The Institute's free Family Office companion workbook, at www.baratelliinstitute.com/family-office-workbook.html, carries a linked consolidating balance sheet, income statement and statement of cash flows across five family entities, and is a practical starting point for a family that is not yet on one set of books. *The Family Office Reference* (two volumes) treats the accounting, tax, estate, governance and treasure asset questions behind each statement in depth. Baratelli Bankable, the system used for the Hollis package, keeps each entity's ledger, eliminates intercompany balances, produces the consolidated and consolidating statements, keeps the treasure asset register with its appraisals and insurance, and computes the family office statement at cost and fair market value with the deferred tax.

How to Work with the Firm

The Institute publishes the Standard. **Baratelli CPA & Accounting, PLLC** prepares family packages under it every month, in Baratelli Bankable, the accounting and family office system the firm uses for every client. Each family's entities, trusts and accounts are kept in one set of books, closed and reconciled monthly, and presented in the package this Standard describes: consolidated and consolidating statements, net worth at estimated current value after the deferred tax on unrealized gains, and the treasure asset, real estate and liability schedules, each with its dates.

The firm's family office service includes monthly bookkeeping across the family's entities, the consolidated package, treasure asset records with their insurance, and coordination with the family's tax preparer, attorneys and advisors. **Baratelli Transaction Advisory, LLC** supports families selling or financing a business with readiness reports and quality of earnings.

To see a full sample package, or to talk about a family's first package under the Standard:

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About the Institute and the author

The Baratelli Institute is the publishing and research arm of the Baratelli firms. It publishes reference books, case studies and free tools for families, family offices, business owners, lenders and the advisors who serve them.

Philip A. Baratelli, CPA, MBA, is the founder of Baratelli CPA & Accounting, Baratelli Transaction Advisory and the Baratelli Institute. He has served as a family office CFO, a public company CFO and a public company controller, and has built businesses of his own. The Standard comes from the problem he saw from the inside: families with every statement except the one that shows the whole picture.