

## SAMPLE 1

To the Board of Directors  
XYZ Mortgage Company  
Sacramento, CA

### ACCOUNTANT'S SPECIAL REVIEW REPORT FOR TRUST FUNDS

I (we) have reviewed the accompanying Statement of Trust Fund Balances and Liabilities Arising from Cash Transactions of XYZ MORTGAGE COMPANY as of December 31, 20X1 and the related Statement of Trust Fund Receipts and Disbursements and Changes in Cash Balances for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements and supplemental schedule(s) is (are) the representation of management (owners) of XYZ Mortgage Company.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is an expression of an opinion regarding the financial statements taken as a whole. Accordingly, I (we) do not express such an opinion.

Based on my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the cash basis of accounting, as described in Note 1 to the financial statements and the California Department of Real Estate's Business and Professions Code. This report is intended for the information and use of the California Department of Real Estate as required in Business and Professions Code 10232.2.

An Annual Report of a Review of Trust Fund Financial Statements is required by the California Department of Real Estate under the Business and Professions Code Section 10232.2. The scope of my (our) review is limited to and is designed to apply procedures necessary to satisfy requirements in accordance with Real Estate Commissioner's Regulation 2846.5 as described in Note 2 to the financial statements.

The supplementary schedule(s) accompanying the Statement of Trust Funds Balances and Liabilities Arising from Cash Transactions and the related Statement of Trust Fund Receipts and Disbursements and Changes in Cash are presented only for supplementary analysis purposes and have been subjected to the inquiry and analytical procedures applied in the scope of my (our) review.

CPA Firm  
Date

XYZ MORTGAGE COMPANY  
STATEMENT OF TRUST FUND BALANCES AND LIABILITIES  
ARISING FROM CASH TRANSACTIONS

DECEMBER 31, 20X1

TRUST FUNDS

CASH IN BANK:

Client Trust Account - Bank of USA...Acct. No. 74-0382	\$850
Escrow Trust Account - Bank of USA...Acct. No. 74-0395	100,500
Payoff Trust Account - United Bank...Acct. No. 104-3287	35,500
Collection Trust Account - United Bank...Acct No. 52-7846	<u>2,950</u>

TOTAL TRUST FUNDS \$139,800 \*

LIABILITIES

CURRENT LIABILITIES

CLIENT TRUST	\$850
ESCROW TRUST	100,500
PAYOFF TRUST	35,500
COLLECTION TRUST	<u>2,950</u>

TOTAL TRUST FUND LIABILITIES \$139,800

\* See Note 3

XYZ MORTGAGE COMPANY  
STATEMENT OF TRUST FUND RECEIPTS AND DISBURSEMENTS  
AND CHANGES IN CASH BALANCES

YEAR ENDED DECEMBER 31, 20X1

	<u>Client Trust</u>	<u>Escrow Trust</u>	<u>Payoff Trust</u>	<u>Collection Trust</u>	<u>Total</u>
CASH BALANCE December 31, 20X0	\$639	\$216,650	\$0	\$22,491	\$239,780
RECEIPTS	2,048,377	6,260,182	1,211,400	3,380,800	12,900,759
DISBURSEMENTS	<u>2,048,166</u>	<u>6,376,332</u>	<u>1,175,900</u>	<u>3,400,341</u>	<u>13,000,739</u>
CASH BALANCE December 31, 20X1	<u>\$850</u>	<u>\$100,500</u>	<u>\$35,500</u>	<u>\$2,950</u>	<u>\$139,800</u>

SUPPLEMENTARY INFORMATION - REVIEWED

XYZ MORTGAGE COMPANY

SUPPLEMENTARY SCHEDULE OF TRUST FUND LIABILITIES

DECEMBER 31, 20X1

CLIENT TRUST

<u>Loan Number</u>	<u>Client Name</u>	<u>Positive</u>	<u>Negative</u>	<u>Net Balance</u>
8135	Sanchez	\$	\$(500)	\$(500) *
8106	Chapman	850		850
8042	Freeland	350		350
8165	Bryant		(150)	(150) *
8226	Perez	<u>300</u>	<u>—</u>	<u>300</u>
	TOTAL	<u>\$1,500</u>	<u>\$(650)</u>	<u>\$850</u>

ESCROW TRUST

<u>Escrow Number</u>	<u>Client Name</u>	<u>Positive</u>	<u>Negative</u>	<u>Net Balance</u>
92-59	Brooks	\$2,650		\$2,650
93-67	Hammock	10,000		10,000
93-82	Richards	55,500		55,500
93-95	Williams	<u>32,350</u>		<u>32,350</u>
	TOTAL	<u>\$100,500</u>		<u>\$100,500</u>

PAYOFF TRUST

<u>Loan Number</u>	<u>Client Name</u>	<u>Positive</u>	<u>Negative</u>	<u>Net Balance</u>
9158	Lawrence	\$	\$(10,000)	\$(10,000) *
9175	Mendoza	17,100		17,100
9245	Oakley	<u>28,400</u>	<u>—</u>	<u>28,400</u>
	TOTAL	<u>\$45,500</u>	<u>\$(10,000)</u>	<u>\$35,500</u>

COLLECTION TRUST

<u>Loan Number</u>	<u>Client Name</u>	<u>Positive</u>	<u>Negative</u>	<u>Net Balance</u>
6254	Howard	\$2,000		\$2,000
6452	Smith	<u>950</u>		<u>950</u>
	TOTAL	<u>\$2,950</u>		<u>\$2,950</u>
	GRAND TOTALS	<u>Positive</u> <u>\$150,450</u>	<u>Negative</u> <u>\$(10,650)</u>	<u>Net Balance</u> <u>\$139,800</u>

\* See Note 3

XYZ MORTGAGE COMPANY

NOTES TO TRUST FUND FINANCIAL STATEMENTS

December 31, 20X1

## Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The purpose of these financial statements and supplementary information is to comply with regulatory reporting requirements which address only the trust fund cash accounts and liabilities of XYZ MORTGAGE COMPANY. Accordingly, these financial statements are not intended to present the company's financial position or results of operations.

### Basis of Accounting

The method of accounting used is the cash basis method of accounting. Income is recognized when cash is received and disbursements are recognized when the actual check is written. The cash basis method differs in material respects to generally accepted accounting principles.

## Note 2 – DISCLOSURES AND VERIFICATION IN ACCORDANCE WITH REGULATION 2846.5(a)1-7

1. The company maintains those records specified in Section 2831 and 2831.1, reconciles such records in accordance with Section 2831.2 and the trust fund bank account(s) is (are) maintained by the company in accordance with Section 2832 and 2834 of the Regulations of the Real Estate Commissioner.
2. The adjusted balance(s) of the bank trust account(s) maintained by the company as shown in the financial statements were on deposit as of the financial statement date.
3. The Trust Fund Cash Balance(s) and the Trust Fund Receipts and Disbursements shown on the financial statements agreed with the amounts reflected on the company's cash records specified in Section 2831 of these regulations.
4. The trust fund liability balance for each open account as itemized in the supplementary schedule(s) agreed with the amount(s) reflected on the separate beneficiary records specified in Section 2831.1 of these regulations.

## XYZ MORTGAGE COMPANY

### NOTES TO TRUST FUND FINANCIAL STATEMENTS

DECEMBER 31, 20X1

Note 3 – COMPARISON OF TRUST FUND CASH BALANCE TO THE TOTAL OF ALL POSITIVE BALANCES FROM THE SUPPLEMENTARY SCHEDULE OF TRUST FUND LIABILITIES

The total of all positive balances from the Supplementary Schedule of Trust Fund Liabilities exceeded the total trust fund cash in bank as of December 31, 20X1 by \$10,650. The reason for this shortage was due to a total negative balance amount of \$10,650 as reflected in the Schedule of Trust Fund Liabilities. The cause for these negative balances and the dates each was corrected are as follows:

	<u>Borrower/ Investor</u>	<u>Date of Occurrence</u>	<u>Amount</u>	<u>Reason</u>	<u>Date and Method of Correction</u>
Client Trust	Sanchez	11/15/X1	\$500	NSF Check	1/21/X2 - Replaced
	Bryant	11/24/X1	150	NSF Check	1/5/X2 - Redeposited
Payoff Trust	Lawrence	12/30/X1	10,000	Erroneously disbursed prior to receipt	1/2/X2 - Deposited

(Note to the User of this Sample Review Report: In theory, the trust account should never contain a shortage (refer to Regulation 2832.1 below). However, should a trust fund discrepancy exist, include the reason for any trust account negative balances and the date that the trust fund discrepancy was corrected).

A copy of Regulation 2832.1 is provided below to facilitate the user of this sample review report. User should note that this is not to be included in the review report.

**Regulation 2832.1 – Trust Fund Handling for Multiple Beneficiaries.**

The written consent of every principal who is an owner of the funds in the account shall be obtained by a real estate broker prior to each disbursement if such a disbursement will reduce the balance of funds in the account to an amount less than the existing aggregate trust fund liability of the broker to all owners of the funds.

**THE PREVIOUS REPORT AND SCHEDULES ARE ONLY SAMPLES BEING PROVIDED BY THE DEPARTMENT OF REAL ESTATE.**