

## SAMPLE 2

To the Board of Directors  
XYZ Mortgage Company  
Sacramento, CA

To the Real Estate Commissioner of the State of California  
California Bureau of Real Estate  
1651 Exposition Boulevard  
Sacramento, CA 95815

### INDEPENDENT ACCOUNTANT'S REPORT

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 the representation of management (the 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 the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I (we) do not express such an opinion.

The accompanying 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 Balances were prepared to present total trust funds, total trust fund liabilities, and fund receipts, disbursements and changes in cash balances in accordance with the regulatory reporting requirements as described in Note 1, and is not intended to be a presentation of XYZ Mortgage Company's financial position and results of operations.

Based on my (our) review, I am (we are) not aware of any material modifications that should be made to the accompanying Statement of Trust Fund Balances and Liabilities arising from cash transactions and the related Statement of Trust Fund Receipts and Disbursements and Changes in Cash Balances in order for them to be in conformity with the cash basis of accounting as described in Note 1.

The Schedule of Trust Fund Liabilities accompanying the Statement of Trust Funds Balances and Liabilities Arising From Cash Transactions and the related Statement of Trust Funds Receipts and Disbursements and Changes in Cash Balances are presented only for supplementary analysis

purposes and have been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements and I (we) did not become aware of any material modifications that should be made to such data.

Additionally, I (we) have performed the procedures included in the Regulations of the Real Estate Commissioner as enumerated below, which were agreed to by the management of XYZ Mortgage Company solely to assist management in evaluating XYZ Mortgage Company's compliance with the Regulations of the Real Estate Commissioner during the year ended December 31, 20X1. Management is responsible for XYZ Mortgage Company's compliance with these requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of XYZ Mortgage. Consequently, I (we) make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. My (our) procedures and findings are as follows:

1. Inspect the accounting records for trust funds required by Regulation 2831 to determine whether a chronological record was maintained to include the following elements: (1) Date trust funds received, (2) From whom trust funds were received, (3) Amount received, (4) With respect to funds deposited in an account, date of said deposit, (5) With respect to trust funds previously deposited to an account, check number and date of related disbursement, (6) With respect to trust funds not deposited in an account, identity of other depository date funds were forwarded, and (7) Daily balance of said account.

[Describe findings]

2. Inspect the accounting records for trust funds required by Regulation 2831.1 to determine whether records for beneficiaries and transactions were maintained including information to identify the transaction and the parties to the transaction including the following in chronological order: (1) Date of deposit, (2) Amount of deposit, (3) Date of each related disbursement, (4) Check number of each related disbursement, (5) Amount of each related disbursement, (6) If applicable, dates and amounts of interest earned and credited to the account, and (7) Balance after posting transactions on any date.

[Describe findings]

3. Inspect the reconciliations required by Regulation 2831.2 of the balance of all separate beneficiary or transaction records required by Regulation 2831.1 to the record of all trust funds received and disbursed required by Section 2831 for each month during the year ended December 31, 20X1, except for those months when the bank account did not have any activities, to determine whether the records identified the bank account name of the principals or beneficiaries or transactions, and the trust fund liabilities of the broker to each of the principals, beneficiaries or transactions, and I (we) agreed the reconciliations to copies of bank statements.

[Describe findings]

4. Inspect the accounting records for trust fund receipts required by Regulation 2832 to determine whether funds accepted on behalf of another were deposited as trustee at a bank or other financial institution no later than three business days following receipt of the funds by the broker or the broker's salesperson into the hands of the owner of the funds; into a neutral escrow depository; or into a trust fund account in the name of the broker or fictitious name of the broker and that these accounts were not interest-bearing accounts (unless expressly provided by Section 10145(d) of the Code or by regulations of the Department of Real Estate) for which prior written notice can by law or regulation be required by the financial institution as a condition to the withdrawal of funds. I (we) inspected the accounting records for checks not cashed to determine that the broker or offeror had written instructions that the check was not to be deposited or cashed until acceptance of the offer and the offeree was informed that the check was held before or at the time the offer is presented for acceptance; and once the offer was accepted that the check was handled in accordance with Regulation 2832(d).

[Describe findings]

5. Inspect the accounting records for trust account withdrawals required by Regulation 2834 to determine that trust fund account withdrawals from an individual broker occurred only upon the signature of the broker or other people specified in Regulation 2834(a) that are specifically authorized in writing by the broker and withdrawals from a corporate broker trust fund account occurred only upon the signature of an officer through whom the corporation is licensed or other people specified in Regulation 2834(a) that are specifically authorized in writing by an officer with authorized signatory of the trust fund account.

[Describe findings]

6. Inspect the reconciliations of the balance(s) of bank trust accounts stated in the reviewed financial statements for year ended December 31, 20X1 and agreed these reconciliations to bank statements.

[Describe findings]

7. Inspect the accounting records for trust funds and agreed them to the receipts and disbursements in the reviewed financial statements for year ended December 31, 20X1.

[Describe findings]

8. Inspect the accounting records for trust funds for each open account itemized in the reviewed financial statements for year ended December 31, 20X1 and agreed them to the separate beneficiary records specified in Section 2831.1 of the regulations.

[Describe findings]

[Alternatively, the findings can be attached as a separate schedule to the report, in which case the following may be inserted after the listing of the procedures: "My (our) results are presented in the attached schedule of findings" or if no findings were noted, the following statement may be added "I (we) found no exceptions as a result of performing these procedures."]

I was (we were) not engaged to, and did not conduct, an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, I (we) do not express such an opinion. Had I (we) performed additional procedures, other matters might have come to our attention that would have been reported to management and the California Bureau of Real Estate.

This report is intended for the information and use of the board of directors and management of XYZ Mortgage Company and the California Bureau of Real Estate and is not intended to be and should not be used by anyone other than these specified parties.

CPA Firm

Date

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>         |
| <br>TOTAL TRUST FUNDS                                     | <br><u>\$139,800</u> |

LIABILITIES

CURRENT LIABILITIES

|                                  |                      |
|----------------------------------|----------------------|
| CLIENT TRUST                     | \$850                |
| ESCROW TRUST                     | 100,500              |
| PAYOFF TRUST                     | 35,500               |
| COLLECTION TRUST                 | <u>2,950</u>         |
| <br>TOTAL TRUST FUND LIABILITIES | <br><u>\$139,800</u> |

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

FOR THE YEAR ENDED DECEMBER 31, 20X1

|                                   | <u>Client<br/>Trust</u> | <u>Escrow<br/>Trust</u> | <u>Payoff<br/>Trust</u> | <u>Collection<br/>Trust</u> | <u>Total</u>      |
|-----------------------------------|-------------------------|-------------------------|-------------------------|-----------------------------|-------------------|
| CASH BALANCE<br>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<br>December 31, 20X1 | <u>\$850</u>            | <u>\$100,500</u>        | <u>\$35,500</u>         | <u>\$2,950</u>              | <u>\$139,800</u>  |

XYZ MORTGAGE COMPANY  
NOTES TO TRUST FUND FINANCIAL STATEMENTS

December 31, 20X1

Note 1 – Summary of Significant Accounting Policies

Basis of Presentation

These trust fund financial statements have been prepared to comply with the provisions of the Regulations of the Real Estate Commissioner of the Bureau of Real Estate of the State of California and present only the trust fund balances and liabilities of XYZ MORTGAGE COMPANY. Accordingly, these financial statements are not intended to be a complete presentation of the Company's assets, liabilities, receipts and disbursements.

Basis of Accounting

These financial statements are presented on the cash basis of accounting. Accordingly, increases and decreases in assets and liabilities are recognized when cash is received and disbursed rather than when earned or incurred.

XYZ MORTGAGE COMPANY  
SUPPLEMENTARY SCHEDULE OF TRUST FUND LIABILITIES

DECEMBER 31, 20X1

| <u>CLIENT TRUST</u> |                    |                 |                 |                    |
|---------------------|--------------------|-----------------|-----------------|--------------------|
| <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              | 300             |                 | 300                |
|                     | TOTAL              | <u>\$1500</u>   | <u>\$(650)</u>  | <u>\$850</u>       |

| <u>ESCROW TRUST</u>  |                    |                  |                 |                    |
|----------------------|--------------------|------------------|-----------------|--------------------|
| <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>   |

| <u>PAYOFF TRUST</u> |                    |                 |                   |                    |
|---------------------|--------------------|-----------------|-------------------|--------------------|
| <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>28,400</u>      |
|                     | TOTAL              | <u>\$45,500</u> | <u>\$(10,000)</u> | <u>\$35,500</u>    |

| <u>COLLECTION TRUST</u> |                    |                 |                 |                    |
|-------------------------|--------------------|-----------------|-----------------|--------------------|
| <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              | 950             |                 | 950                |
|                         | TOTAL              | <u>\$2,950</u>  |                 | <u>\$2,950</u>     |

|  |              |                  |                   |                    |
|--|--------------|------------------|-------------------|--------------------|
|  |              | <u>Positive</u>  | <u>Negative</u>   | <u>Net Balance</u> |
|  | GRAND TOTALS | <u>\$150,450</u> | <u>\$(10,650)</u> | <u>\$139,800</u>   |

XYZ MORTGAGE COMPANY  
NOTES TO SUPPLEMENTARY INFORMATION

DECEMBER 31, 20X1

Note 1 – RECONCILIATION OF TRUST FUND CASH BALANCE TO INDIVIDUAL POSITIVE BALANCES

The total of all positive balances of Trust Fund Liabilities exceeded the total trust funds cash in bank as of December 31, 20X1 by \$10,650. The reason for this shortage was negative individual balances totaling \$10,650. The reasons for each negative balance and the date each was corrected were as follows:

|              | <u>Borrower/<br/>Investor</u> | <u>Date of<br/>Occurrence</u> | <u>Amount</u> | <u>Reason</u>                                | <u>Date and Method<br/>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<br>disbursed prior to<br>receipt | 1/2/X2 - Deposited                       |

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