STATE OF NEVADA

DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

TRUST FUND ACCOUNTING AND RECORD KEEPING FOR NEVADA BROKERS

A reference manual published by the Education Section

5th Edition

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INTRODUCTION

Proper accounting for trust funds and adequate record keeping are basic to the management of a brokerage office and the legal responsibility of the broker. This booklet will assist real estate brokers to understand the statutory and regulatory requirements of Nevada's license law for the handling of trust funds.

Failure of a real estate broker to manage properly or account for "funds belonging to others" can result in license revocation whether that failure is one of ignorance or negligence, whether intentional or unintentional. A broker's fiduciary responsibility makes the maintenance of adequate records necessary.

The broker is personally responsible for the supervision and maintenance of the trust fund accounts and records. Neither delegation of duties, ignorance of daily brokerage or management activities, nor failure to establish internal control relieves the broker of the responsibility and potential liability that can result from a failure to account adequately for money or maintain records.

Inadequate records or failure to maintain control of the trust funds can result in internal theft, commingling of funds, misuse of trust funds, litigation and/or disciplinary action. The use of an outside record keeping or accounting service does not eliminate the need for broker supervision or substitute for the broker's fiduciary responsibility.

☐ *WHAT CONSTITUTES TRUST FUNDS?*

Provisions of Chapter 645 of Nevada Revised Statutes (NRS 645) and Chapter 645 of Nevada Administrative Code (NAC 645) set forth the responsibilities of real estate brokers with regard to record keeping and the handling of trust funds.

Trust funds are money or things of value that are received by the broker or salesperson on behalf of a principal, or client, or other person in the performance of duties for which a real estate license is required, which are not the property of the broker but are being held for the benefit of others.

Trust funds do not include money relating to any property in which the broker or his/her personnel have an ownership interest. No matter how small the percentage of ownership, the intermingling of these funds with those of clients would constitute commingling. A separate bank account, not a trust account,

may be established to hold funds for the broker/company owned properties.

☐ *WHO HOLDS TRUST FUNDS?*

A broker may hold money or things of value for the benefit of others for many reasons. For example, earnest money deposits are funds held pending consummation of a sale transaction. Funds are held as payment of final settlement costs. In the property management field, a broker may keep security and maintenance deposits on rental properties, may hold mortgage payments for a client/principal, or may hold rents collected but not yet disbursed to the property owner.

The money or things of value may include a check written to a title company or a mortgage company, a personal note made payable to the seller, title to a motor vehicle, jewelry or other personal property. The handling and safe keeping of all of these must be accounted for in a broker's internal records and to a broker's principal.

☐ *WRITTEN CONTRACT GOVERNS*

Proper accounting for money in a transaction begins with the written contract between the seller and buyer, between the lessor/landlord and lessee/tenant, and the broker and client. The broker must specify in the contract how trust funds are to be held and where they are to be deposited.

Nevada brokers are not mandated by law to maintain a bank trust account, however, they must account for all funds. A broker may instead deposit money directly to escrow, if the contract so specifies. He/she may also pay funds directly to the seller or landlord in a transaction if all persons having an interest in the money agree in writing to that arrangement. Under any circumstance, the broker is personally responsible and liable for the deposit at all times, even if the funds were delivered directly to the seller or landlord to hold.

When depositing funds directly to an escrow account, the licensee may not deposit to any escrow company in which he/she or anyone associated with him/her in the real estate business has an interest unless proper disclosures are made. A proper disclosure must be made in writing and state the interest the broker, or member of his/her staff, has in that escrow company. Further, the disclosure must be acknowledged by the parties to the transaction.

☐ *BROKER HAS OWNERSHIP INTEREST*

In the event that any type of trust funds are received from a cooperating broker or other third party regarding a property in which the broker/company has an ownership interest, full disclosure of the interest held must be made and one of the following procedures should be followed:

1. Place the funds in the cooperating broker's trust account;

2. Obtain the informed consent from the other principal in the transaction, thereby permitting the funds to be held by the broker/company acting as a principal and not held "in trust"; or

3. Deposit the funds with an escrow or title company.

Even though the broker may deposit directly to escrow, without a deposit to the trust account, he/she must maintain a record of what happened to those funds while in his/her custody. Minimum documentation for that record is a copy of the check and a receipt from the escrow agent which must be held in the transaction file. It is suggested that the Cash Receipts Journal also have a notation that the funds were received and delivered to escrow rather than deposited into the broker's trust account. The client ledger for the transaction should record the disposition of the funds.

ESTABLISHING A TRUST ACCOUNT

The bank account must be established in a bank in the state of Nevada and clearly identified as a trust account. The broker must be a trustee for the funds. The only sole signatories acceptable on a trust account would be a broker or, in the instance of a property management account, a designated property manager. Dual signatories on the trust account may be employees of the broker, salespersons licensed with the broker, or the designated property manager. Whenever possible, the broker should use an employer's tax identification number instead of a personal social security number to establish a trust account.

Branch offices are not required to establish a trust account separate from the home office trust account. But, if the broker does establish a trust account for the branch, the branch manager or designated property manager of the branch office must be a signer on that trust account.

☐ *SERVICE CHARGES*

Because most financial institutions levy a service charge on a checking account, the Nevada Real Estate Commission permits a broker to deposit adequate personal funds to cover this charge. This minimal amount a broker is permitted to deposit must be accounted for in the journals and ledgers in the same manner as client funds but should be clearly identified as broker's funds. Following this procedure will not be considered commingling by the Division. The maximum dollar amount of broker funds should not exceed $150.00.

☐ *INTEREST AND OTHER ECONOMIC BENEFITS*

Nevada law does not specifically address the establishment of interest-bearing trust accounts to hold trust funds. Such accounts must be handled with extreme caution because of prohibitions against commingling, conversion, breach of fiduciary duty, and practical considerations.

Federal law generally prohibits financial institutions from paying interest on commercial demand accounts. Interest may be paid on such accounts if the entire beneficial interest in the account "is held by one or more individuals or by an organization which is operated primarily for religious, philanthropic, charitable, educational, political, or similar purposes and which is not operated for profit", or on deposits of public funds. See 12 United States Code, Sections 1828, 1832.

On the basis of this provision, several states have enacted legislation which authorizes the payment of interest on real estate trust accounts to certain non-profit charitable organizations. Such authorization is typically limited to client funds which are nominal in amount or held for a short period of time. Nevada has **not** enacted such legislation.

Since brokers are required to account for and remit client's money "on demand", federal law will preclude the establishment of an interest-bearing trust account in most situations. A discussion of the limited circumstances in which an interest-bearing checking account may be established under federal law is beyond the scope of this booklet.

Assuming one's ability under federal banking law to establish an interest-bearing trust account, additional considerations will limit or, as a practical matter,

preclude their use. There must be full disclosure and consent of the parties to the transaction as to the disposition of any interest earned. This requires an agreement between the broker and the parties as to who will receive interest and how it will be remitted to the parties. If the broker is to benefit from any of the interest earned, that money must be withdrawn from the account and separately accounted for to prevent commingling. Such an arrangement may result in income tax liability to the client under assignment of income rules. A tax expert should therefore be consulted if the broker is to benefit from interest on trust funds.

Accounting for and payment of interest must be done in accordance with the broker/client agreement and done in a timely manner.

TYPES OF FUNDS AND ACCOUNTS

Any time that a real estate broker handles funds in his/her office there is a need to identify the nature of the funds. All staff who handle funds in the office should be adequately trained regarding how to distinguish the nature of the funds. Funds can be of two types and can be placed in any of three types of bank accounts.

The two types of funds are company funds and client funds. The three types of bank accounts are company (proprietary) operating accounts, broker trust accounts, and custodial client accounts.

☐ *COMPANY (PROPRIETARY) OPERATING FUNDS*

Company funds are received for services rendered, such as brokerage commissions, lease fees, property management fees, etc. These funds belong to the company/broker and must always be maintained separately from client funds.

☐ *COMPANY (PROPRIETARY) OPERATING ACCOUNTS*

Company operating accounts are established in the name of the broker or company and should be used to hold only broker or company funds. No client funds should ever be deposited into these accounts. The bank records should indicate that the account is owned by the broker or company and the records

should reflect that entity's federal tax identification number.

☐ *CLIENT FUNDS*

Client funds are any funds received that are to be held for the benefit of a client. Examples of client funds are earnest money deposits, security deposits, rent receipts from management account tenants, etc. These funds ***MUST ALWAYS*** be kept separate from company funds. Clerical or unlicensed staff may not be aware of the distinction between the types of funds and so must be properly supervised by the broker to avoid accidental commingling of company and client funds, thereby placing the broker's license in jeopardy.

☐ *BROKER TRUST ACCOUNT*

Broker's trust accounts are established in the name of the company/broker but must have the words "trust account" on the bank statement and on the printed checks. The bank must clearly understand that funds in these accounts do not belong to the broker's company or the broker in order to eliminate the possibility of attachment in the case of a judgment, IRS action, or other liability which may arise to the company or broker. These accounts are used to hold client funds only.

☐ *OUT OF STATE BROKERS*

A broker licensed in another state and performing brokerage functions in the state of Nevada under a Cooperative Broker Agreement will look to the cooperating Nevada broker for an accounting of all money. Any money received in the transaction shall be handled only by the Nevada broker.

☐ *CUSTODIAL CLIENT ACCOUNTS*

Custodial client accounts are bank accounts which are opened in the name of a client and are primarily used for property management accounts. The name and ownership of the account with the bank should be that of the client and should show the broker only as the mailing address for statements and communications.

The client, as well as the broker, must be a signer on this type of account. If an account holds client funds and does not have the client as a signer on the account, it is by definition a trust account and must be treated as such.

When funds are received for a client for whom the broker is using a custodial account, the funds are considered "trust funds" until they are actually deposited

into the custodial account at the bank. The broker has the same level of responsibility for these funds before depositing as for any other trust funds. Once they are deposited they are considered ***delivered*** to the client because the client has access to the funds by his/her signature. Handling disbursements from this type of account holds similar fiduciary responsibilities for the broker and care must always be exercised.

There is some risk for a broker who uses a custodial account rather than a trust account because the broker does not have exclusive control over the funds. Since the client may withdraw funds without consent of the broker, the broker may write checks on the account and discover that the client has withdrawn the funds necessary to cover the checks, resulting in returned checks on the account. For this reason brokers are urged to exercise great caution when using a custodial account.

HANDLING TRUST FUNDS

Handling client funds or "trust funds" is one of the most important responsibilities that a real estate broker has. The broker's attention to detail, commitment to professionalism, personal and professional integrity, and ethical conduct are all reflected in how trust funds are handled. Although the actual processing of the administrative procedures may be delegated to staff or other licensed broker/salespersons within the firm, the ultimate responsibility always lies with the broker of record.

☐ *TIMELY DEPOSITS*

All trust funds are to be deposited in a timely manner, whether the funds were received as part of a sale or lease negotiation or as a property management function. Before the funds are actually deposited into a bank trust account, they should be adequately secured in a locked cash box, locked filing cabinet, or other secure location from where they are not likely to "disappear". A broker should have a clear office policy regarding the care of the trust funds from the time they are received to the time they reach the bank. This policy should be carefully monitored within the office.

Unless specifically stipulated otherwise in the written contract between the parties to a transaction, a licensee who receives any type of trust funds on behalf of a broker shall pay over those funds to that broker, or to the escrow company

designated in the contract, within one business day after receiving those funds. NAC 645.657. When an offer to purchase ripens into a contract, or when the broker receives funds related to a property management account, the broker should deposit the trust funds into the broker's trust account or deliver the funds to the authorized escrow agent before the end of the next banking day. Holding the trust funds beyond these deadlines is a violation of NRS 645 and NAC 645.

☐ *ACCURATE ACCOUNTING*

The real estate broker must maintain a sufficient "paper trail" regarding the trust funds within his/her files so that at any future time a client, an auditor, or other investigator can reconstruct what happened to the trust funds and when. Copies of deposit receipts, along with a copy of the check, money order, or even a photocopy of the cash if payment was made in cash, should be maintained in the appropriate file. Accurate references on check book registers and trust account records regarding the identification of the parties and properties should be maintained.

RECORD KEEPING

☐ *ACCOUNT RECORDS*

All trust account checks should be imprinted with sequential numbers and deposit slips should be printed in duplicate with the name of the real estate brokerage imprinted on them.

☐ *REQUIRED RECORDS*

The minimum records required for a broker's trust account are:

- Cash receipts journal;
- Cash disbursements journal or an itemized check stub;
- Client ledger or sub-ledgers if using a consolidated trust account;
- Transaction files, numbered or indexed;
- Bank account statements and checks.

The broker must keep a record of all of the money that is received by him/her, whether for deposit to the trust account, or for deposit directly to escrow. This record must show:

- The date and amount of money that was received;
- The date and amount of money that was deposited;
- The dates and amounts of all withdrawals;
- Parties for whom the deposit or withdrawal was made;
- To whom the money belongs.

A **cash receipts journal** is the diary, or daily chronological record, of trust funds (things of value) received for the benefit of another. This journal is used to record the date of receipt, the amount of money or value received, and the form of funds received (i.e., cash, check, note, etc). It also records from whom received, for whom received, property identification, and transaction file number (see exhibit #1).

If the funds were not deposited to the broker's trust account, the cash receipts journal should record the location of the funds or assets.

A **cash disbursements journal**, like the check stubs or check register, is used to keep track of all disbursements. It must show the date and amount of disbursement, to whom the money was paid, on whose behalf it was paid, the transaction file number, and the resulting balance.

Depending upon the bookkeeping used, the cash receipts and cash disbursements journals may be combined into one journal (see exhibit #1). The cash receipts journal and disbursements journal are maintained for the entire trust account sequentially. However, these journals do not segregate the transactions by the various clients whose funds are held in trust. This separate, cumulative record, for each beneficiary or transaction is the client's ledger.

The **client's ledger** is maintained for each client whose funds are held in the trust account. When a transaction is entered into the cash receipts journal or the cash disbursement journal, it is also entered into the individual client ledger. By recording these transactions chronologically, and immediately, the client's ledger will always show the balance in the trust account belonging to the individual client. These amounts must always match those listed in the journal. The combined total of the balances of the client ledgers should always equal the running balance in the trust account check book register and in the cash receipts/ disbursement journals.

The client's ledger should contain a separate sheet or record for each transaction. It must name the parties to the transaction, the property address or location, the amount and dates of deposits, and withdrawals, and balances (see exhibit #2).

Transaction files, their contents and identification, are discussed in the audits and inspections section.

☐ *ACCOUNT RECONCILIATION - aka KEEPING YOUR BALANCE*

The broker's trust account balance must always equal the trust liability. The balance of the trust account bank records must equal the balance of the clients' ledgers. The monthly statements on the bank account must be promptly reconciled to the check register, the journals, and the client's ledgers. In the case of property management and real estate transaction trust accounts, bank statements must be reconciled within 30 days after receipt by the broker or his/her designee. NAC 645.655. A monthly account reconciliation will help discover math or posting errors before they become problems. Timely and regular account reconciliations can prevent unpaid commissions from becoming commingled funds.

When balancing the ledgers, only positive balances may be added. If any ledger shows a negative balance, there is a problem which needs immediate correction. This could show a conversion of trust funds. Keep the balance current in the journals, ledgers, and checkbook. It will be easier to prepare a trial balance at the end of the month.

☐ *EMBEZZLEMENT*

The stated balance on the bank statement should equal the checkbook balance minus outstanding checks and charges plus outstanding deposits. These should equal the balance of the clients' ledgers. Sample forms of the required journals and ledgers are shown in the exhibits. The examples provided are suggested forms for the minimum records required. The complexity of business conducted may demand more sophisticated record keeping.

In spite of the broker's best efforts and good intentions, it is possible to have an employee who embezzles. There are some standard procedures that may help prevent employee theft. Remember, the broker will ultimately be held responsible to the client and to the Real Estate Division for any shortage in the account.

Suggested management techniques to prevent embezzlement:

- Each month the broker should calculate the dollar value of the trust funds for which he/she is responsible and then examine the bank account to ensure that the money is there. This is the sum of the balances of all the client ledgers and the broker funds deposited to pay bank charges.

- An outside accounting firm can prepare an audited financial statement for the trust accounts.
- The broker should personally audit the trust accounts monthly.
- The broker should, if possible, separate the bookkeeping responsibilities from the office responsibilities that require access to the bank accounts.
- If possible, receipts and deposits should be handled by a different staff person than the one who handles disbursements and payments.
- The broker must exercise supervision over all employees and independent contractors in his/her office.

In addition to the above, an employee fidelity bond will help the broker in replacement of any missing funds. Persons handling money on behalf of the broker should be bonded. The broker should exercise caution regarding the kind of fidelity coverage obtained to be assured that the policy provisions fit his/her needs.

☐ *ACCOUNTING TO PRINCIPALS*

All trust fund deposits that are received by a broker are the personal responsibility of the broker and must be fully accounted for to the client. This accounting must be done within a reasonable time. For example, in sales transactions the complete closing statement must be provided to the client within ten days after close of the transaction; property management reports are normally made on a monthly basis.

The information that must be supplied to a broker's client includes the dates and amounts of all money received and disbursed, as well as to whom and from whom the funds were disbursed or received. This information must also include the purpose of each receipt or disbursement. Accounting to the client must be done in writing and include invoices and/or disbursements.

☐ *UNCLAIMED MONEY*

Rarely, money may be held in a broker's trust account which belongs to a person or persons that cannot be located. A sincere effort must be made to locate that person and such effort should be documented. For example, send written notice of the money that must be disbursed to the party at the last known address. Send notice by certified/return receipt mail and include a change of address request. If the mail is returned, keep the letter intact and filed with the appropriate transaction file.

If all efforts to locate the owner of the trust money fail, the funds must be turned

over to the Office of the State Treasurer, Unclaimed Property. For further information contact the Office of the State Treasurer, Unclaimed Property at (702) 486-4140 or on the Internet at www.nevadatreasurer.com/unclaimed.

COMMINGLING AND CONVERSION

A primary purpose of having a separate trust account, and for keeping detailed records of that account, is protection of the client. A broker who commingles the money or other property of his/her principals with their own, or who converts the money of others to his/her own use, may be guilty of a disciplinary violation under NRS 645 and/or a criminal offense.

Commingling can occur in unintentional ways. For example, a broker who has earned a commission or management fee, but leaves the money in the trust account instead of transferring the money to the general operating account, may be guilty of commingling. When commissions or other fees for brokerage services are earned and payable, they become the broker's money. Such fees should be paid to the broker's general operating account before disbursement of commissions payable to sales associates. However, property management referral fees may be paid directly from a trust account to another brokerage (see property management section). Another example of commingling would be a broker who operates his/her personal rental properties through his/her clients' trust accounts.

Conversion is using money in the trust account for the benefit of anyone other than the rightful beneficiary. This can occur when the broker "overdraws" the account balance of a client in order to pay expenses, such as property repairs, on behalf of another client. Any amount over the balance belonging to the client whose property is being repaired will belong to another client. Thus, money belonging to one client is spent on behalf of another client, conversion occurs.

An example of conversion is shown below:

Checkbook balance	$10,050.00
Cash Receipt/Disbursement Journal	$10,050.00
Client Ledger	
Client 'A'	$5,000.00
Client 'B'	$5,500.00
Client 'C'	$(500.00)
Broker Ledger	$50.00
	$10,050.00

In this example, the checkbook balances and the journal balances, but Client "C" has a negative balance of $500.00, which means that money of another client has been used to cover an expense of Client "C", thus conversion has occurred.

Until a check clears the bank on which it was drawn, funds are not considered deposited. If a broker refunds the earnest money, rent, or security deposit of a buyer/tenant before that buyer's/tenant's check has cleared the bank on which it was drawn, he/she is using money of one principal to benefit another. If the check tendered is returned for insufficient funds the broker will be obligated to make up the shortage in the account. Conversion may have occurred.

If a broker permits any trust account, including any ledger account, to fall into deficit and remain in deficit for more than 45 consecutive days in a year, he/she will be subject to discipline (NAC 645.655(9)).

AUDITS AND INSPECTIONS

All trust account records and transaction files are subject to audit and inspection by authorized personnel. When Division personnel request documents and/or access to inspect office files and money accounts, the broker is obligated to comply. When obtaining a broker's license, a form is submitted with the license application that authorizes Nevada Real Estate Division representatives to inspect bank records. The office transaction file inspection is authorized by NAC 645.645.

The actual inspection of office files will include checking the items listed in NAC 645.670, which are:

- the office address
- the office sign
- the procedure used to deposit money
- the trust records
- the indexing or numbering system used in filing record
- Advertising
- the availability of current statutes and regulations in the office
- any affiliation with a developer as defined in NRS chapters 119 & 119A
- any documentation required by NRS chapters 119, 119A, or the Federal Land Sales Act

☐ *INDEXING AND NUMBERING*

An index is a guide or reference. It may use letters, numbers, or a combination of both. Whatever system is used, the purpose is to identify and keep an accurate count of the transactions that are handled in the office.

The index or numbering system can be as simple as 1-2-3, if the volume of business allows. However, the system can be considerably more complicated. The type and volume of business will help determine just how complex the system needs to be. The Division recommends using separate sequences to index listing contracts, sales contracts, and property management contracts.

Some systems include coding which details the month and year of the transaction, the branch office that originated the transaction, as well as the actual transaction number. For example, 08-01-B-87 indicates transaction number 87 was originated in the branch office in August of 2001. The index L129-01 indicates listing number 129, taken in 2001.

Whatever system is used, it must be sequential. NAC 645.655. It must be consistent. It must include completed transactions and those that have cancelled. The Division recommends that the open and closed transactions be filed separately. The separation of finished and currently operating or pending transactions will assist in keeping track of the activity in the office.

☐ *INSPECTIONS AND TRANSACTION FILES*

Bank records that are examined during an office inspection (NRS 645.195) include the trust account records of:

- Cash Receipts Journal;
- Cash Disbursements Journal or itemized check stubs;
- Clients' Ledgers;
- Bank statements.

What must be kept in the transaction files?

Office records or transaction files must include documentation for all actions that have been taken in order to process and/or complete the performance of the duties owed by the broker. General guidelines which help determine what must be kept in the file are:

1. Retain copies of all documents concerning the completion of any sales, exchanges, options, purchases, rentals, or leases which have been prepared by the broker or his/her salespersons, or where the client or customer's signature is required. Effective January 21, 2000 all offers not accepted and incomplete transactions must also be retained per NAC 645.650.
2. Retain all documents received that pertain to monetary proration, charge, or adjustment of items that appear on the closing statement, rental, or lease

agreements, or that affect the fiduciary duties of the broker.

3. Retain any additional documents necessary to show proper performance of the broker's duties.

The documents and records listed below provide a guideline regarding the minimum records to be maintained by the broker. Separate lists are provided for the transactions conducted by seller's broker and buyer's broker:

The broker must keep all original transaction/property files in his/her possession during and after completion of the transaction. Salespersons must not be permitted to keep the original files as this weakens, or even destroys, the broker's ability to control and supervise the transactions which he/she is responsible for controlling. It also reduces the broker's ability to detect and correct problems, real or potential, during the course of the transaction.

The broker's possession may include off-site storage. When the retention of required records takes more space than is available in the office, a storage area in the building or a rented storage unit outside of the office may be used. When this happens, the broker must notify the Division of the location of storage. This notice must be given to the Division before the records are moved. Records must be accessible during normal business hours (see exhibit #8).

If records of transactions are maintained electronically the access to the electronic documents and files must be made available to the Division for inspection or audit. NAC 645.655.

☐ *TIME REQUIREMENT FOR RECORD KEEPING*

NAC 645.650 Time requirement for recordkeeping involving real estate transactions and property management. (NRS 645.190)

1. A broker shall keep complete real estate transaction and property management records for at least 5 years after the date of the closing or the last activity involving the property, including, without limitation, offers that were not accepted and transactions that were not completed, unless otherwise directed by the division.

2. A salesman or broker-salesman must provide any paperwork to the broker with whom he is associated within 5 calendar days after that paperwork is executed by all the parties. NAC 645.650.

[Real Estate Adv. Comm'n, § VII subsecs. 7 & 10 par. c, eff. 10-31-75]—(NAC A by Real Estate Comm'n, 8-21-81; A by Real Estate Div., 3-1-96; A by Real Estate Comm'n by R186-99, 1-21-2000; R031-04, 11-30-2004)

PROPERTY MANAGEMENT

In 1997, Amendments were added to the NRS 645 and NAC 645 relating to property management activity.

According to NAC 645.655(8), a broker who is engaged in property management for one or more clients must maintain two (2) separate property management accounts distinct from any trust account that the broker may have for other real estate transactions. One trust account must be used solely for rental operating activities, and the other trust account must be used solely for security deposits.

NAC 645.8005 specifies that a "designated property manager" must be a broker or a broker-salesperson with two years of full-time active experience within the four years immediately preceding the date the person applies for a permit to engage in property management on behalf of a broker. NAC 645.805 states that a broker has thirty days to replace a terminated designated property manager or cease the property management

AGENCY RECORDS	SELLER'S BROKER	BUYER'S BROKER	AGENCY RECORDS	SELLER'S BROKER	BUYER'S BROKER
Listing agreement	YES	NO	Loan applications and lender's representations	NO	NO
Buyer agency agreement	NO	YES	Escrow instructions	YES	YES
Duties Owed, Confirmation, Consent to Act	YES	YES	Preliminary title report	SUGGESTED	SUGGESTED
Retainer fees paid to buyer's broker	NO	YES	Seller Real Property Disclosure form (SRPD)	YES	YES
Sales agreements and related documents	YES	YES	Common Interest Communities Disclosure (CIC)	YES	YES
Amendments, extensions, and addenda	YES	YES	Other Disclosures - hazards, conditions required by local or federal statutes, etc.	YES	YES
Earnest money promissory note	COPY	COPY	Loan application (seller financing)	YES	YES
Earnest money payments (per contract)	COPY	COPY	Home Protection Plan	YES	YES
Power of Attorney, Seller	YES	NO	Agreements to adjust settlement statements at closing	YES	YES
Power of Attorney, Buyer	SUGGESTED	YES	Promissory Note and Deed of Trust	SUGGESTED	SUGGESTED
Installment land contract	YES	YES	Settlement statements, buyer/seller	YES	YES
Buyer's credit statement (seller financing)	OPTIONAL	OPTIONAL	Rental/Lease agreement	YES	YES
Buyer's financial information	NO	NO	Property management agreement	YES	NO

activity. Upon termination of the designated property manager, a reconciliation of the trust account must be submitted to the Division to account for the thirty days immediately preceding the date that the designated property manager ceases to be associated with the broker. This reconciliation must be submitted no later than fifteen days after the designated property manager ceases to be connected with the broker.

NAC 645.807 states that a broker may give a broker-salesperson permission to be a sole signer of checks drawn on a trust account. A signature applied by use of a rubber stamp does not constitute the signature of a real estate broker-salesperson for the purposes of this section. NAC 645.807.

☐ *MANAGEMENT ACCOUNT RECORDS*

Records for property management accounts must include at least the property management file containing the management agreement, tax reports, individual tenant/lease files, cash journal, the chronological record of money received and disbursed, an Owner's Ledger, a Tenant's Ledger, bank statements, and checks.

☐ *MANAGEMENT AGREEMENTS*

A written contract for services between the property owner and the managing broker is required. NRS.645.6056. The agreement must list the broker's responsibility and authority, and contain at least the following items:

1. A description of the subject property and its type, including the number of units managed;
2. The broker's duties to be itemized; e.g. collection of rents, holding of deposits, payment of mortgages, physical maintenance, etc.;
3. Broker's compensation;
4. Accounting and reporting requirements;
5. Procedure for repair and payment of repair bills (both emergency and routine);
6. Effective dates of the agreement with a specific termination date, and if

the agreement is subject to renewal, provisions clearly setting forth the circumstances under which the agreement may be renewed and the term of each such renewal;

7. A provision for the retention and disposition of deposits of the tenants of the property during the term of the agreement and, if the agreement is subject to renewal, during the term of each such renewal;
8. If the agreement is subject to cancellation by broker and/or client, with and/or without cause, provisions stating the circumstances under which the agreement may be cancelled; and
9. Names and signatures of the owner(s)/broker(s)/designated property manager(s).

☐ *MANAGEMENT FILES*

A complete filing system for property management must include the information and documentation of all transactions and business dealings of the manager, owner, vendor, and tenant. A very small property may require only one file, but larger properties will need several file folders to maintain this data. The file(s) must include at least the following:

1. Property management agreement;
2. Rental/Lease agreement;
3. Duties Owed;
4. Correspondence;
5. Invoices and receipts for repairs, purchases;
6. Monthly owner reports (see exhibit #5); and
7. Other documentation that supports the discharge of the broker's obligation, such as insurance information, inspection reports, pictures, advertising, etc.

☐ *PERSONNEL AND INCOME TAX REPORTS*

Property managers who collect more than $600 per year for a client must provide that client (unless a corporation) with an Internal Revenue Service (IRS) form 1099 by January 31st of the following year. Property managers who pay more than $600 per year for services for a client must provide the service provider (unless a corporation) with an IRS form 1099 by January 31st of the following

year. Property managers have to send copies of form 1099 to the IRS by February 28th of that year. These forms are available from the IRS or any office supply store.

Property managers should keep income and expense records of such detail that the property owner can rely upon those records when preparing income tax returns. In this connection, a review of the IRS income reporting requirements is recommended. It is also recommended that the broker consult a tax accountant for competent tax advice.

☐ *INDIVIDUAL TENANT/LEASE FILES*

It is recommended that each tenant's records be maintained in a separate tenant/ lease file. This file should contain the rental agreement, correspondence, documentation of charges to the tenant, legal actions, etc. When the tenant vacates, the final security deposit reconciliation should be maintained in this file.

☐ *MAINTENANCE OF RECORDS*

The following regulation amplifies the record keeping requirement found at NAC 645.650, regarding property management records:

NAC 645.806 Trust accounts: Annual accounting required; maintenance of records. (NRS 645.190 & NRS 645.6052)

☐ *CASH JOURNAL*

The Cash Journal provides a chronological record of all funds received and disbursed. For cash receipts it must include the date, the account, the name of the party paying the money, name of the principal, and property identification. Disbursement records must include the date, the amount, check number, the payee and property identification.

The Cash Journal should keep a running balance and be reconciled with the bank statement each month.

☐ *OWNER'S LEDGER*

The Owner's Ledger summarizes all property income and expenses for the property managed that are handled by the broker. Each property should have its own ledger and must identify the property or properties for each owner.

This ledger should itemize the source of money received, such as rent or owner funds, the use of money that is disbursed, and the current balance for this owner.

A broker must account to his/her client on a monthly basis for all money and this ledger may be used to provide that accounting (see exhibit #3).

☐ *TENANT'S LEDGER*

The Tenant's Ledger must identify the tenant and the property. The purpose of the ledger is to record the amounts and dates of all charges and payments (i.e. rent, deposits, damage fee) from a tenant.

This record should be maintained separately for each tenant (see exhibit #4).

☐ *BANK STATEMENTS AND CHECKS*

Bank statements need to be reconciled each month, along with determining the account trial balance or account liability.

To determine the trust account liability, the account balances of each sub-ledger (Owner/Tenant's Ledger) for the account should be listed. There should not be ledgers with negative balances, as this would indicate conversion of trust funds from one client's account to another.

The account liability, the reconciled check register, and the reconciled bank statement must all show the same balance. If these three balances do not agree, the broker must locate the error. Errors may be from mathematical inaccuracies, missing checks, items improperly posted, or commissions not withdrawn. Whatever the reason, the problem needs to be corrected before it compounds.

Brokers who receive client funds – including rent, security deposit, down payment, advance fee, earnest money deposit - must file a trust account reconciliation report with the Division every year on or before the broker's license anniversary month. NAC 645.806 and NRS 645.310. Example: Broker's license renews on June 30th, therefore, annual trust account reconciliation is due every year on or before June 30th (see exhibit #9). Trust account reconciliation must be filed by completing the Division's Form 546, titled Trust Account Reconciliation, available at http://red.nv.gov (see exhibit #9).

If a brokerage employee performs the account reconciliation, the broker must sign the trust account reconciliation form to document that he/she has reviewed the work.

Effective April, 2016 brokers who do not receive client funds must also file an annual report with the Division on or before the broker's license anniversary month by completing Form 546A, Affidavit in Lieu of Form 546 (see exhibit

#10). NAC 645.806.

Custodial account reconciliations are not specifically required by law to be submitted to the Division annually.

☐ *SECURITY AND OTHER TENANT DEPOSITS*

Security deposits are most commonly held in trust by the broker. They must be kept in a separate security deposit trust account per NAC 645.655.

A security deposit may also be held by the property owner. If the security deposit is transferred to the owner, the tenant and all parties to the transaction must be notified in writing of the transfer.

Deposits may be made by the tenant for security, cleaning, damage, pets, etc. The deposit may be refundable or non-refundable as stated in Rental/Lease Agreement. When a deposit is received or disbursed it must be accounted for to the owner and tenant.

A deposit must be listed on the Tenant's Ledger and must be identified as to its purpose (i.e. security, damage). The rental or lease agreement should include a provision authorizing the broker holding the deposit to transfer the deposit to another owner or manager, or for refund to the tenant. In the event that a transfer or deposit to another owner or manager does occur, it is also recommended that the transfer be acknowledged in writing. In addition, the tenant must be notified of such transfer in writing.

Like all trust funds, deposits must be made to the appropriate trust account by the next banking day after receipt, unless written agreement of all parties requires otherwise.

☐ *MANAGEMENT REFERRALS*

When paying a property management referral to an outside brokerage, a check can be issued directly from the broker's trust account (it does not have to flow through the broker's operating account). The outside broker becomes, in essence, a vendor to the owner.

CLOSING A BANK ACCOUNT AND/OR BROKER'S OFFICE

☐ *BANKRUPTCY*

If a broker files for relief under the bankruptcy laws of the United States, the broker must immediately terminate each trust account that has been established for the operation of the real estate business. All money deposited to the trust account must be moved or redeposited to an escrow. The escrow agent must be given written instructions for disbursement of the funds. Those instructions must comply with the contract that caused the trust funds to be deposited.

☐ *CLOSING AN OFFICE*

When a broker closes his/her office, a few simple steps are required to comply with Division regulations:

- Broker's license must be inactivated and surrendered to the Division;
- All salesperson and broker-salesperson licensees associated with that broker must be terminated at the same time and their licenses surrendered to the Division;
- Broker must file a notice with the Division stating the location of the office records. Location must be within the state of Nevada in a storage facility, home, office, or other facility. Records must be accessible during normal business hours. Records must be maintained by the broker for a minimum of five years (see NAC 645.650 & NAC 645.806); and
- Any trust or custodial account monies must be accounted for and properly disbursed. The accounts must then be closed.

CONCLUSION

The intent of this booklet is to clarify trust fund deposit and record keeping requirements for real estate licensees. It is not designed nor intended to cover all possible situations in the brokerage industry.

In all situations, however, the broker remains responsible and liable for money or other things of value entrusted to him/her. Careful supervision of employees and licensees who handle money is essential. Often, standardized office procedures and management procedures will help prevent the violations of commingling and conversion that can result in the loss of license.

Always consult the Division if you have any questions:

Nevada Real Estate Division
1818 E College Pkwy, Ste 110
Carson City, NV 89706
Voice: 775-684-1900
Fax: 775-687-4868

Nevada Real Estate Division
3300 W Sahara Ave, Ste 350
Las Vegas NV 89102
Voice: 702-486-4033
Fax: 702-486-4275

Internet: http://red.nv.gov

Email: realest@red.nv.gov

SELECTED SECTIONS FROM NRS 645

NRS 645.195 Inspection of records of broker and owner-developer by division; regulations.

1. The division shall regularly inspect the transaction files, trust records and pertinent real estate business accounts of all real estate brokers and owner-developers to ensure compliance with the provisions of this chapter.

2. The commission shall adopt regulations pertaining to those inspections.

(Added to NRS by 1973, 989; A 1975, 1542; 1979, 1537)

NRS 645.310 Deposits and trust accounts: Accounting; commingling; records; inspection and audit.

1. All deposits accepted by every real estate broker or person registered as an owner-developer pursuant to this chapter, which are retained by him pending consummation or termination of the transaction involved, must be accounted for in the full amount at the time of the consummation or termination.

2. Every real estate salesman or broker-salesman who receives any money on behalf of a broker or owner-developer shall pay over the money promptly to the real estate broker or owner-developer.

3. A real estate broker shall not commingle the money or other property of his client with his own.

4. If a real estate broker receives money, as a broker, which belongs to others, he shall promptly deposit the money in a separate checking account located in a bank or credit union in this state which must be designated a trust account. All down payments, earnest money deposits, rents, or other money which he receives, on behalf of his client or any other person, must be deposited in the account unless all persons who have any interest in the money have agreed otherwise in writing. A real estate broker may pay to any seller or the seller's authorized agent the whole or any portion of such special deposit. The real estate broker is personally responsible and liable for such deposit at all times. A real estate broker shall not permit any advance payment of money belonging to others to be deposited in the real estate broker's business or personal account or to be commingled with any money he may have on deposit.

5. Every real estate broker required to maintain a separate trust account shall keep records of all

money deposited therein. The records must clearly indicate the date and from whom he received money, the date deposited, the dates of withdrawals, and other pertinent information concerning the transaction, and must show clearly for whose account the money is deposited and to whom the money belongs. The real estate broker shall balance each separate trust account at least monthly. The real estate broker shall provide to the division, on a form provided by the division, an annual accounting which shows an annual reconciliation of each separate trust account. All such records and money are subject to inspection and audit by the division and its authorized representatives. All such separate trust accounts must designate the real estate broker as trustee and provide for withdrawal of money without previous notice.

6. Each real estate broker shall notify the division of the names of the banks and credit unions in which he maintains trust accounts and specify the names of the accounts on forms provided by the division.

7. If a real estate broker who has money in a trust account dies or becomes mentally disabled, the division, upon application to the district court, may have a trustee appointed to administer and distribute the money in the account with the approval of the court. The trustee may serve without posting a bond.

[27.5:150:1947; added 1955, 76]-(NRS A 1963, 1073; 1975, 1543; 1979, 1539; 1981, 1606; 1983, 152; 1995, 2074; 1997, 958; 1999, 1538)

NRS 645.6056 Property management agreements: Requirements; contents.

1. A real estate broker who holds a permit to engage in property management shall not act as a property manager unless the broker has first obtained a property management agreement signed by the broker and the client for whom the broker will manage the property.

2. A property management agreement must include, without limitation:

(a) The term of the agreement and, if the agreement is subject to renewal, provisions clearly setting forth the circumstances under which the agreement may be renewed and the term of each such renewal;

(b) A provision for the retention and disposition of deposits of the tenants of the property during the term of the agreement and, if the agreement is subject to renewal, during the term of each such renewal;

(c) The fee or compensation to be paid to the broker;

(d) The extent to which the broker may act as the agent of the client; and

(e) If the agreement is subject to cancellation, provisions clearly setting forth the circumstances under which the agreement may be cancelled. The agreement may authorize the broker or the client, or both, to cancel the agreement with cause or without cause, or both, under the circumstances set forth in the agreement.

(Added to NRS by 1997, 955; A 2003, 932)

SELECTED SECTIONS FROM NAC 645

NAC 645.645 Inspection and audit.

A broker shall, upon demand, provide the Division with the documents and the permission necessary for the Division to complete fully an inspection and audit, including an inspection and audit of any money accounts as provided in NRS 645.310 and 645.313. Permission may be given on a form provided by the Division. The form must provide a bank, depositor or other holder of information with release from liability which might result from disclosure of the information required by the Division.

[Real Estate Adv. Comm'n, § VII subsec. 15, eff. 10-31-75]—(NAC A by Real Estate Comm'n by R031-04, 11-30-2004)

NAC 645.650 Time requirement for recordkeeping involving real estate transactions and property management.

1. A broker shall keep complete real estate transaction and property management records for at least 5 years after the date of the closing or the last activity involving the property, including, without limitation, offers that were not accepted and transactions that were not completed, unless otherwise directed by the Division.

2. A salesman or broker-salesman must provide any paperwork to the broker with whom he is associated within 5 calendar days after that paperwork is executed by all the parties.

[Real Estate Adv. Comm'n, § VII subsecs. 7 & 10 par. c, eff. 10-31-75]—(NAC A by Real Estate Comm'n, 8-21-81; A by Real Estate Div., 3-1-96; A by Real Estate Comm'n by R186-99, 1-21-2000; R031-04, 11-30-2004)

NAC 645.655 Records of transactions; trust accounts.

1. Each real estate transaction of a brokerage must be numbered consecutively or indexed to

permit audit by a representative of the Division.

2. A complete record of each real estate transaction, together with records required to be maintained pursuant to NRS 645.310, must be:

(a) Kept in this State; and

(b) Open to inspection and audit by the Division upon its request during its usual business hours, as well as other hours during which the licensee regularly conducts his business.

3. If any records the Division requests to inspect or audit pursuant to subsection 2 are stored electronically, access to a computer or other equipment used to store the information must be made available to the Division for use in its inspection or audit.

4. The real estate broker shall give written notice to the Division of the exact location of his records and shall not remove them until he has delivered a notice which informs the Division of the new location.

5. A licensee shall not maintain a custodial or trust account from which money may be withdrawn without the signature of a licensee. A signature applied by use of a rubber stamp does not constitute the signature of a licensee for the purposes of this subsection.

6. A real estate salesman may not be the only required signatory on a custodial or trust fund account. A real estate salesman may be a cosigner of an account with his real estate broker.

7. A real estate broker who files for relief under the bankruptcy laws of the United States shall immediately terminate each trust account established pursuant to NRS 645.310 and deposit all money from each trust account into escrow with executed instructions to the escrow agent or officer to disburse the money pursuant to the agreement under which it was originally deposited.

8. A real estate broker who is engaged in property management for one or more clients shall maintain two separate property management trust accounts distinct from any trust account that the real estate broker may have for other real estate transactions. One trust account must be used solely for activities relating to rental operations, and the other trust account must be used solely for security deposits. A real estate broker shall maintain a ledger account for each unit of property he manages regardless of whether the client owns more than one unit under the real estate broker's management. All rents and deposits for each unit must be deposited into and credited to each property's management trust account, and all authorized repairs and expenses must be paid out of the corresponding ledger account. For the purposes of this subsection, "unit" means one single-family dwelling unit.

9. Property management and real estate transaction trust accounts must be reconciled monthly by

the real estate broker or his designee within 30 days after receipt of the bank statement. A real estate broker who permits any trust account, including any ledger account, to fall into deficit and remain in deficit for more than 45 consecutive days in 1 year is subject to discipline pursuant to paragraph (h) of subsection 1 of NRS 645.633 or other applicable charges, or both.

[Real Estate Adv. Comm'n, § VII subsec. 10 pars. a, b, d & e, eff. 10-31-75]—(NAC A by Real Estate Comm'n, 6-3-86; A by Real Estate Div., 3-1-96; A by Real Estate Comm'n by R111-01, 12-17-2001; R031-04, 11-30-2004, eff. 7-1-2005)

NAC 645.657 Payment of deposit to broker or owner-developer.

A licensee who receives a deposit on any transaction in which he is engaged on behalf of a broker or owner-developer shall pay over the deposit to that broker or owner-developer, or to the escrow business or company designated in the contract, within 1 business day after receiving a fully executed contract.

(Added to NAC by Real Estate Comm'n, eff. 8-21-81; A 12-16-82; R031-04, 11-30-2004; R123-06, 6-1-2006)

NAC 645.660 Disclosure of certain interests required before deposit of money.

A licensee shall not deposit money received by him in any escrow business or company in which he or anyone associated with him in the real estate or time-share business has an interest without disclosing this association to all parties to the transaction.

[Real Estate Adv. Comm'n, § VII subsec. 11, eff. 10-31-75]—(NAC A by Real Estate Comm'n, 8-21-81; 4-27-84; R031-04, 11-30-2004)

NAC 645.670 Inspections.

1. The Division may use a form of its design to conduct any inspection and require the broker or office manager in charge of the office being inspected to sign such a form.

2. Such an inspection must include, but need not be limited to:

(a) The address of the real estate office or time-share office.

(b) The sign identifying the office.

(c) The procedure used to deposit money.

(d) The trust records.

(e) The indexing or numbering system used in filing records.

(f) Advertising.

(g) The availability of current statutes and regulations at the place of business.

(h) Any affiliation with a developer as defined in chapter 119 or 119A of NRS.

(i) Any documentation required by chapter 119 or 119A of NRS or the federal Land Sales Act.

[Real Estate Adv. Comm'n, § VII subsec. 17, eff. 10-31-75]—(NAC A by Real Estate Comm'n, 8-21-81; 4-27-84)

NAC 645.805 Termination of association of designated property manager; reconciliation of trust accounts; extension of time to designate another property manager.

1. Except as otherwise provided in subsection 4, if a person to whom a permit is issued pursuant to NRS 645.6054 ceases to be connected or associated with the partnership, corporation, limited-liability company or sole proprietor for whom he is acting as a property manager, the partnership, corporation, limited-liability company or sole proprietor shall not engage in the business of property management unless, not later than 30 days after that person ceases to be connected or associated with the partnership, corporation, limited-liability company or sole proprietor, the partnership, corporation, limited-liability company or sole proprietor designates another person to hold the permit on behalf of the partnership, corporation, limited-liability company or sole proprietor pursuant to the requirements set forth in subsection 3 of NRS 645.6054.

2. The real estate broker of a partnership, corporation, limited-liability company or sole proprietorship who is required pursuant to NRS 645.310 to maintain a trust account for money received for property management shall:

(a) Request a statement from the bank in which the trust account is being held not later than 5 days after the date that the designated property manager ceases to be connected or associated with the partnership, corporation, limited-liability company or sole proprietor; and

(b) Submit to the division, on a form provided by the division, a reconciliation of the trust account for the 30 days immediately preceding the date that the designated property manager ceases to be connected or associated with the partnership, corporation, limited-liability company or sole proprietor.

3. A reconciliation required pursuant to paragraph (b) of subsection 2 must be submitted to the division not later than 15 days after the designated property manager ceases to be connected or associated with the partnership, corporation, limited-liability company or sole proprietor or by the end of the month in which the designated property manager ceases to be connected or associated with the partnership, corporation, limited-liability company or sole proprietor, whichever occurs later.

4. A partnership, corporation, limited-liability company or sole proprietor may petition, in writing, the administrator for an extension of time in which to designate another property manager after the designated property manager ceases to be connected or associated with the partnership, corporation, limited-liability company or sole proprietor. The administrator may grant such an extension, in writing, if he finds the partnership, corporation, limited-liability company or sole proprietor has a severe hardship resulting from circumstances beyond the control of the partnership, corporation, limited-liability company or sole proprietor which has prevented the partnership, corporation, limited-liability company or sole proprietor from meeting the requirements of subsection 1.

(Added to NAC by Real Estate Comm'n by R059-98, eff. 7-1-98)

NAC 645.806 Trust accounts: Annual accounting required; maintenance of records.

NAC 645.807 Trust accounts: Signatures on checks.

A real estate broker-salesman who holds a permit to engage in property management may sign checks on a trust account without the signature of the real estate broker who employs him if the broker-salesman has obtained the written permission of the broker authorizing him to do so. A signature applied by use of a rubber stamp does not constitute the signature of a real estate broker-salesman for the purposes of this section.

(Added to NAC by Real Estate Comm'n by R059-98, eff. 7-1-98; A by R031-04, 11-30-2004)

Exhibits

DOCUMENT TITLE	EXHIBIT #
Trust Account Receipts and Disbursements Journal	1
Client's Trust Account Property Ledger	2
Owner's Ledger Card	3
Tenant's Ledger Card	4
Owner's Monthly Statement	5
Real Estate License or Permit Change — Form 504	6
Location of Records — Form 512	7
Trust Account Reconciliation — Form 546	8
Affidavit in Lieu of Form 546 — Form 546A	9

TRUST ACCOUNT RECEIPTS AND DISBURSEMENTS JOURNAL

DATE & TRANS # 20____		RECEIVED FROM OR PAID TO/ DESCRIPTION	TO OR FROM DEPOSIT OR WITHDRAW	TRUST ACCOUNT BALANCE	OTHER DISPOSITION AMOUNT

EXHIBIT #1

CLIENT'S TRUST ACCOUNT PROPERTY LEDGER

ADDRESS NAME		NAME		
MEMO	TERMS	LIMIT	ACCOUNT NO.	SHEET

DATE	ITEM	DEBIT	CREDIT	BALANCE

CLIENT'S TRUST ACCOUNT PROPERTY LEDGER

ADDRESS NAME		NAME		
MEMO	TERMS	LIMIT	ACCOUNT NO.	SHEET

DATE	ITEM	DEBIT	CREDIT	BALANCE

EXHIBIT #2

OWNER'S LEDGER CARD

OWNER'S LEDGER CARD

ACCOUNT NO. _____

OWNER NAME: _____

PROPERTY ADDRESS: _____

OWNER ADDRESS: _____ PHONE NO. _____

DATE YEAR 20____	CHECK NO.	DESCRIPTION	PAYMENTS	DEPOSITS	BALANCE
			BALANCE FORWARD		

EXHIBIT #3

TENANT'S LEDGER CARD

TENANT LEDGER CARD

ACCOUNT OR CARD NO. _____

PROPERTY ADDRESS: _____

TENANT NAME: _____

HOME PHONE: _____ WORK PHONE: _____

LEASE DATE:	EXPIRATION:	SEC DEP HELD BY:	RENT DUE BY:
_____	_____	_____	_____

DATE YEAR 20____	CHECK NO.	DESCRIPTION	PAYMENTS	DEPOSITS	BALANCE
			BALANCE FORWARD		

EXHIBIT #4

OWNER'S MONTHLY STATEMENT PAGE #: _____

FOR THE MONTH OF: _____ ACCOUNT NO. _____

PROPERTY ADDRESS: _____ OWNER NAME:_____

CASH RECEIPTS:				$TOTAL
Beg cash balance				
Gross Rental Income				
Other Sources				
Less Vacancy Allowance				
TOTAL CASH RECEIPTS:				
CASH DISBURSEMENTS:				
Debt Service				
Operating Expense Summary				
Escrows for Taxes, Insurance, etc.				
Other Expenditures				
TOTAL CASH PAYMENTS:				
EXCESS (DEFICIT) CASH RECEIPTS OVER PAYMENTS (This is carried to beginning cash next month)				

EXHIBIT #5

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

3300 W. Sahara Ave., Suite 350, Las Vegas, Nevada 89102 * (702) 486-4033
e-mail: realest@red.nv.gov * http://red.nv.gov/

REAL ESTATE LICENSE or PERMIT CHANGE FORM 504 INSTRUCTIONS

FORM COMPLETION: Complete only the areas that apply to this change. Completion of this form is required before presenting to the Division. Incomplete or improper paperwork will be returned for completion.
Applicants are required to answer the questions located in section 8 and original signatures are required from the Nevada licensee and broker.

REQUIREMENTS: Attach to the Termination Form 505 your real estate license or permit. The termination process must be complete and received by the Nevada Real Estate Division (NRED) before submitting the Form 504. For the Nevada **real estate license**, the Form 504 is accepted within 30 days from disassociation date. Permits must complete this form for any association with a new Broker any time after the Form 505 has been received.
Submit Form 544 (*reinstatement form*) when a real estate license has been inactive for more than 30 days.

FEES: Fees are listed for each section, in each section of the form. The payment options are: check, money-order, or a cashier's check made payable to NRED; cash in the exact amount; and credit cards for in person counter transactions.

Make copies in advance for your records. Thank you.

EXHIBIT #6

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

3300 W. Sahara Ave., Suite 350, Las Vegas, Nevada 89102 * (702) 486-4033
e-mail: realest@red.nv.gov * http://red.nv.gov/

REAL ESTATE LICENSE or PERMIT CHANGE FORM

For Broker Salesperson, Salesperson, Property Manager, and Business Broker

Real Estate License #: _____ **Property Manager Permit #:** _____ **Business Broker Permit #:** _____

Name on license: (Please print) _____
First *Middle* *Last*

Home address: _____

Mailing address: _____

Email address: _____ **Phone:** _____

1. $20 **CHANGE OF BROKER/EMPLOYER/COMPANY**

Submit a $20.00 fee per permit if applicable.

Print Broker's name: _____ **Broker license:** _____

Company name: _____ **Business Phone:** _____

Company address: _____

2. $20 **PERSONAL NAME CHANGE**

Submit a copy of a court document (i.e. divorce decree or marriage certificate/court name change).
Submit your original license or original permit.

New Name: _____
First *Middle* *Last*

3. $20 **STATUS CHANGE**

☐ **BROKER to BROKER SALESPERSON**

4. $20 **PROFESSIONAL CORPORATION OR LLC STATUS**

Submit your original license.

☐ **ADD**
☐ **REMOVE**

INSTRUCTIONS: Your registered company name with the Nevada Secretary of State must be your legal individual name indicated on your Nevada Real Estate license. You may choose to file Chapter 86 or 89.

Limited Liability Company	Professional Corporation
Submit a copy of the filed: 1. Articles of organization. 2. List of managers/members.	Submit a copy of the filed: 1. Articles of incorporation. 2. List of corporate officers.

EXHIBIT #6

5. $20 STATUS CHANGE – OFFICE MANAGER OR SALES MANAGER

Check one box here and one below: ☐ **ADD STATUS** ☐ **REMOVE STATUS**

☐ **Broker Salesperson-OFFICE MANAGER (for a Brokerage)**
☐ **Authority** ☐ **NO Authority**
☐ **Broker Salesperson-SALES MANAGER (for an owner/developer)**

X_____ **Date**_____
(Original Signature of Broker required)

ADD: Submit the original license and the Experience Verification (Form 509). Form 509 is not required for those who have held a Nevada Broker license. To qualify - the Experience Verification must show 2 years active licensed experience within the 4 years immediately preceding the date of application.

REMOVE: Submit the original license and termination forms of all licensees or a letter of replacement.

REPLACE: Follow the instructions for the "add" or "remove" above and attach a dated letter signed by the Real Estate broker stating the specific Broker-salesperson that will replace the current Broker-salesperson and attach to both 504 forms. To avoid interruption of business the dates must match and both license and forms must arrive to the Division at the exact same time.

6. $20 DESIGNATED STATUS CHANGE

Check one box here and one below: ☐ **ADD STATUS** ☐ **REMOVE STATUS**

☐ **DESIGNATED PROPERTY MANAGER**

☐ **DESIGNATED BUSINESS BROKER**

ADD: Submit the original permit and the Experience Verification (Form 509A or 509B). To qualify - the Experience Verification must show 2 years active licensed experience within the 4 years immediately preceding the date of application in conducting property manager or business broker activities.

REMOVE: Submit the original permit and termination form for all permits associated with you or a letter of replacement.

REPLACE: Follow the instructions for the "add" or "remove" above and attach a dated letter signed by the Real Estate broker stating the specific Broker-salesperson that will replace the current Broker-salesperson and attach to both 504 forms. To avoid interruption of business the dates must match and both license and forms must arrive to the Division at the exact same time.

7. $20 PERMIT STATUS CHANGE FOR NEW LICENSE

Submit the original permit and a $20.00 fee per permit.

☐ **Property Manager**
☐ **Business Broker**

8. APPLICANT

1. **Have you had any disciplinary sanctions imposed by any real estate regulatory agency or commission within the past 5 years?**
   ☐ **NO** ☐ **YES**
2. **Have you been convicted of a misdemeanor, gross misdemeanor, or felony since the last renewal of your Real Estate license?**
   ☐ **NO** ☐ **YES**
   If you answered **Yes**, licensees are **REQUIRED** to attach a written explanation and the final court issued disposition document OR a brief written explanation if the discipline was imposed by the Nevada Real Estate Commission on an attached sheet.

X_____ **Date**_____
(Original Signature of Salesperson or Broker Salesperson required)

9. BROKER

This is to verify that I, _____ am a duly licensed Broker, Owner/Developer, Sales Manager, or Office Manager registered in Nevada with the Department of Business and Industry, Real Estate Division. It is my present intent to employ or associate with me the licensed Salesperson or Broker Salesperson (print name)_____.
I will exercise careful supervision over his/her real estate activities while he/she is associated with or employed by me.

X_____ **Date**_____
(Original Signature of Broker, Office Manager or Sales Manager required)

EXHIBIT #6

REPORT OF EXISTENCE OF NEVADA BUSINESS LICENSE
Pursuant to NRS 645

All applicants MUST complete this section. Please select ONE option.

☐ I have a Nevada business license number assigned by the Nevada Secretary of State upon compliance with the provisions of NRS Chapter 76.

My Nevada business license number is: _____

☐ I have applied for a Nevada business license with the Nevada Secretary of State upon compliance with the provision of NRS Chapter 76 and my application is pending.

☐ I do NOT have a Nevada business license number.

The Real Estate Division is not the arbiter of determining whether the applicant needs a business license. Information about the Nevada business license can be found on the Secretary of State's website at: http://nvsos.gov/

EXHIBIT #6

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

3300 W. Sahara Ave., Suite 350, Las Vegas, Nevada 89102 * (702) 486-4033
e-mail: realest@red.nv.gov * http://red.nv.gov/

LOCATION OF RECORDS / TERMINATION / BUSINESS CANCELLED REAL ESTATE BROKER FORM

Name of Broker – (Please Print)
License number: _____

For the following business, I hereby notify the Real Estate Division that my records required to be maintained pursuant to NRS 645 will be kept in the State of Nevada for 5 years. I understand that I must give written notice to the Real Estate Division of the exact location of these records and may not remove them until the notice of the new location has been received by the Division. NAC 645. 655(4).

Company Name

Address location of the records.

City **State** **Zip Code**

Additional comments: *(example: Records stored in a storage rental, home, another business named ???, etc.)*

X _____
Signature

***Home Address**

***City** **State** **Zip Code**

***E-mail address**

***Residence or cell phone**
(*required-will not be sold to third parties)

Complete below only if your license is no longer associated with the company listed above:

DISASSOCIATION date and/or resignation: _____

Submit this form and original license within 10 calendar days of the date above. Corporate officers must attach the corporate meeting minutes stating that the officers accepted your resignation.

You must contact the division within 10 days to make changes Forms 507 or 504, or submit Form 506 to voluntary inactivate your license.

EXHIBIT #7

STATE OF NEVADA
DEARPTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION

TRUST ACCOUNT RECONCILIATION

Check one: ☐ Custodial ☐ Trust Account Date: _____

Company Name: _____

Address: _____

Trust Account Title: _____

Trust Account Number: _____ For month of: _____

Bank: _____

Prepared by: _____ Email: _____

Office Phone: _____ Office Fax: _____

PART I: (Submit Bank Statement)

Bank Statement Ending Balance $ _____

Plus: Deposits not yet recorded on bank statement but posted to check register and ledgers (Total of Schedule A) $ _____

Deposits **recorded** on bank statement but **not** posted to check register & ledgers $ _____

SUBTOTAL $ _____

Less: Outstanding Checks (Total of Schedule B) $ _____

Plus or Minus: Other adjusting entries (Total of Schedule C) $ _____

Reconciled bank balance as of _____ **TOTAL** $ _____

PART II: (Submit)

Cash Receipts and Disbursement Journal, Client Ledgers with Balance

Balance as of _____ **TOTAL** $ _____

PART III: (Submit)

Ledger Cards: As of _____ (Total of Schedule D) **TOTAL** $ _____

Totals of Parts I, II and III must be reconciled to the same date and must be identical.

*Amount of difference between these totals, if any: $ _____

**Complete Schedule C (page 2) to explain the difference and corrective action taken to bring Parts I, II and III into balance.*

***If corrective action will be taken after submission of this reconciliation, explain the difference and correction action that will be taken on page 3 of this form.*

Broker funds, if any: $ _____

Print Broker Name: _____ **Broker License Number:** _____

I declare under penalty of perjury that the foregoing is true and correct. I also understand that I need to submit either Form 546 or Form 546A every year according to the requirements set forth in NAC 645.806.

Broker Signature: _____ **Date:** _____

EXHIBIT #8

Recommended format or headings for schedules

SCHEDULE "A" (Deposits not yet posted by bank)

Date	Amount	Date	Amount	Date	Amount

SCHEDULE "B" (Outstanding checks)

Date	Check Number	Amount	Date	Check Number	Amount

SCHEDULE "C" (Adjusting entries)

Date	Amount	Explanation	Corrective Action Taken

SCHEDULE "D" (Ledgers)

Client Name or Property Address	Ledger Balance	Client Name or Property Address	Ledger Balance

NOTE: Form 546 is to be submitted annually by the end of the month in which the broker's license expires.
One form may be sufficient for low volume accounts. For higher volume accounts, complete additional schedules.
Trust accounts must be reconciled with bank statements at least monthly.
For direction regarding trust accounts and how to open a bank trust account go to: Informational Bulletin #26.

MAIL COMPLETED FORM AND ALL DOCUMENTATION FROM PARTS I, II & III TO

Nevada Real Estate Division, ATTN: Compliance, 3300 W. Sahara Ave., Suite 350, Las Vegas, NV 89102

Email: realest@red.nv.gov http://red.nv.gov (702) 486-4033

EXHIBIT #8

****EXPLAIN FULLY:** *If corrective action will be taken after submission of this reconciliation explain the difference and corrective action that will be taken.*

Broker Signature: _____ Date: _____

EXHIBIT #8

STATE OF NEVADA
DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE DIVISION
3300 W. Sahara Ave., Suite 350, Las Vegas, Nevada 89102
(702) 486-4033 / realest@red.nv.gov / http://red.nv.gov/

AFFIDAVIT IN LIEU OF FORM 546

Pursuant to NAC 645.806 3, **I**, _____ declare, under penalty of
(Print Broker Name)
perjury, that I am not required to file Form 546 Trust Account Reconciliation as I have not within the past year of the anniversary of the expiration date of my broker's license received monies belonging to others as described in NRS 645.310 4:

> If a real estate broker receives money, as a broker, which belongs to others, the real estate broker shall promptly deposit the money in a separate checking account located in a bank or credit union in this State which must be designated a trust account. All down payments, earnest money deposits, rents, or other money which the real estate broker receives, on behalf of a client or any other person, must be deposited in the account unless all persons who have any interest in the money have agreed otherwise in writing. A real estate broker may pay to any seller or the seller's authorized agent the whole or any portion of such special deposit. The real estate broker is personally responsible and liable for such deposit at all times. A real estate broker shall not permit any advance payment of money belonging to others to be deposited in the real estate broker's business or personal account or to be commingled with any money he or she may have on deposit.

I declare under penalty of perjury that the foregoing is true and correct. I also understand that I need to submit either form 546 or form 546A every year according to the requirements set forth in NAC 645.806

_____ _____
Signature of Broker Date Broker License Number

MAIL COMPLETED FORM TO:

Nevada Real Estate Division, ATTN: Compliance, 3300 W. Sahara Ave., Suite 350, Las Vegas, Nevada 89102

Email: realest@red.nv.gov http://red.nv.gov/ 702-486-4033

EXHIBIT #9

STATE OF NEVADA
DEPARTMENT OF BUSINESS & INDUSTRY
REAL ESTATE DIVISION
3300 W. SAHARA AVENUE, SUITE 350
LAS VEGAS, NV 89102