ESTATES & TRUSTS
ACCOUNTING SERVICES

INFORMATION TO HELP YOU
FULFILL FIDUCIARY RESPONSIBILITIES

KEENE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
200 WEST THOMAS STREET • SUITE 560 • SEATTLE, WA 98101
(206) 282-8953 • KEENECPA@EARTHLINK.NET

“When You Need The Right Answer”
INDEX

Introduction - Fiduciary Responsibilities .......................................................................................................1
What Will Keene & Company Do If I Want Trust or Estate Accounting Information? .......................1
Why Trust or Estate Accounting? ...................................................................................................................2
What Else Do I Get? .........................................................................................................................................3
How Much Will This Cost? ..............................................................................................................................3
Introduction to Sample Financial Statements................................................................................................4
Sample Financial Statements ............................................................................................................................5
INTRODUCTION • FIDUCIARY RESPONSIBILITIES

WHAT IS A FIDUCIARY?
A fiduciary is a person who has agreed to accept the legal ownership, control and management of an asset, or a group of assets belonging to someone else.

WHAT DO THEY DO?
In accepting this responsibility, the fiduciary also agrees to manage the assets in accordance with the wishes of the person who established the estate or trust and to be fair to all interested parties.

HOW DO THEY DISCHARGE THEIR RESPONSIBILITIES?
Often the fiduciary must make periodic reports of their stewardship to beneficiaries of the trust or estate and, in some cases, to the courts as well. Tax returns must also be filed with the Internal Revenue Service. Therefore, it is extremely important to maintain good accounting records which will enable the fiduciary to prepare these reports and also provide protection in case any actions are questioned.

WHAT WILL KEENE & COMPANY DO IF I WANT TRUST OR ESTATE ACCOUNTING INFORMATION?

KEENE & COMPANY CONSIDERS YOUR NEEDS AND SITUATION FIRST
Because we realize how important your time and costs are to you, we will spend some time "up-front" to be sure we will be able to do the best job for you. We start this process by reviewing the estate or trust instrument for its interpretation of trust accounting income and other fiduciary directives. We would then do a needs analysis to determine what level of participation you will have in the accounting process. This needs analysis, done before we proceed with the accounting, assures that you will be able to get the maximum benefit from the resources applied to accounting.

You may choose to do most all of the accounting up to and including a trial balance. In this case, Keene & Company will summarize the information you have prepared and make any corrections necessary to assure your accounting is what you want; accurate, up to date information for discharging your fiduciary responsibilities. Or, you may choose to simply write the checks and record the trust or estate's deposits. In this case, we will finish the process necessary to complete your journals and prepare the trust or estate accounting. Many fiduciaries choose an alternative somewhere in between these two extremes. An important part of our service is to help you arrive at an efficient, cost effective accounting system based upon the degree of support you want from Keene & Company.
A Periodic Accounting

We will assist you in designing accounting reports that fit your needs. It is important in designing and maintaining the accounting system to have the books distinguish clearly between the principal of the estate or trust and its income. Your trust’s or estate’s accounting will include a report explaining the responsibility that Keene & Company, as Certified Public Accountants, is taking in assuring the reliability of the accounting. This report, known as a compilation report, indicates to other readers of the statements (for example, the beneficiaries) that the financial statements have been compiled by a CPA firm.

In addition to the above, you may also choose to have included:

1. *Notes to financial statements.* Such notes clarify items shown on the face of the statements as well as add information not otherwise available with the usual statements.

2. *Additional fiduciary information contained in customized statements.* For example, a statement of expanded detail of investments or cash may be added.

Communication

When we present the trust or estate financial statements, we will explain what they mean, including discussing significant trends and potential problems and opportunities. The financial statements are of value to you only when they are understood. It is an important part of our service to make sure this happens.

Timely Information

Generally we guarantee a 14-day turn-around from the time we receive all information until you receive the trust or estate accounting. We want you to have the benefit of current information to help you in making fiduciary decisions.

Why Trust or Estate Accounting?

Current Information to Help You Perform Your Fiduciary Duties

You would not drive your car with your eyes closed, so why manage a trust without the benefit of periodic accountings? Good instincts and common sense are vital to success as trustee or executor. Having reliable current financial information increases the mileage you get from your instincts and common sense.

The Financial Statements

The financial statements will be designed to meet the needs of the particular trust or estate so the format may vary from client-to-client. However, two aspects of financial information will generally be presented; 1) the assets, liabilities, principal and income balances of the trust or estate at a point in time, 2) the activity of the trust or estate during a period of time. The desires of the beneficiaries and other users control the level of details disclosed, and the format for these financial statements.
**ASSETS, LIABILITIES, PRINCIPAL AND INCOME BALANCES**

This is the information presented to reflect the property of the trust or estate as well as its financial obligations, and also what portion is attributable to the principal versus the income beneficiaries. Knowing this information helps the trustee make informed investment decisions including the ability to optimize the return on the investments. This information also allows you to anticipate future expenditures including distributions to beneficiaries, and manage cash and other assets more effectively.

**THE TRUST OR ESTATE'S FINANCIAL ACTIVITY**

This information reflects where you have been – the "bottom line" results over a period of time. The period of time may be a year or part of a year. However, an estate's accounting will often reflect the period from inception to a recent date and accordingly cover more than a year. This information allows you to track the results of decisions you have made and to make informed adjustments in the future.

**THIS INFORMATION HELPS REDUCE THE UNCERTAINTY FACING EVERY FIDUCIARY**

This current reliable information helps you in making decisions as well as discharging your fiduciary responsibilities. Keene & Company's assistance allows you to spend less time dealing with accounting and more time managing the trust or estate.

**WHAT ELSE DO I GET?**

Keene & Company provides other services you may want, including:

1. Estate and income tax planning
2. Trust or estate income tax return preparations
3. Trust funding and beneficiary distribution requirements

**HOW MUCH WILL THIS COST?**

**YOUR COSTS ARE GUARANTEED FOR ONE YEAR**

*For Most Trusts* – After we have reviewed your accounting system, mutually decided on the extent of services to be provided, and assisted you with setting up a system, we will agree to a periodic fee, good for one year without change. And we will put this in writing. There is also a one time set up fee. The fee will vary, depending upon the size of the trust, amount of services we will provide, and complexity of the accounting system.

*For Estates* – Estates generally exist for a relative short period of time, and have peaks and valleys in accounting activity from year-to-year. Accordingly, we do not set an annual guaranteed fee for our services. However, we welcome the opportunity to make a fee estimate encompassing a range. This will, of course vary depending upon the size and complexity of the estate, its accounting records and the services we are being asked to provide. We will express, in writing, the extent of our services and fee arrangement.
INTRODUCTION TO SAMPLE FINANCIAL STATEMENTS

As mentioned, financial statements for estates and trusts should be designed to meet the needs of the users. A Model Trustee's Account, presented by the Fiduciary Accounting Standards Committee, contains 14 pages of statements and schedules for a trust of minimal complexity. The format and especially extent of detail presented in these statements goes beyond the needs (and associated costs of preparation) desired by most fiduciaries. We have not presented these statements for this reason and to conserve space. There may be reasons you might choose financial statements patterned after the Model Trustee's Account. For example, if there are many beneficiaries and they do not have convenient access to the trustee, the considerable detail offered by such financial statements may be desirable. Do let us know if you would like more information on this particular presentation.

In our experience, most fiduciaries choose financial statements similar to those presented in our sample, shown in the following pages.
SAMPLE FINANCIAL STATEMENTS
DOE MARITAL TRUST

Financial Statements
and
Accountants’ Compilation Report

For the Year Ended December 31, 2005
To the Trustees of the
Doe Marital Trust

We have compiled the accompanying charge and discharge statement – income tax basis of the Doe Marital Trust for the year ended December 31, 2005 and the related statement of trust principal balance on hand – income tax basis, as of December 31, 2005 and the supplementary information contained in the supporting schedules which are presented only for supplementary analysis purposes, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the accounting basis used by the trust for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of the trustees. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

The trustees have elected to omit substantially all of the disclosures required for financial statements prepared on the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user’s conclusions about the trust’s financial position, and results of administration. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Keene & Company

February 15, 2006
**Doe Marital Trust**

**CHARGE AND DISCHARGE STATEMENT - INCOME TAX BASIS**

For the Year Ended December 31, 2005

### Principal

The Trustee charges himself with:

- Beginning principal balance $4,640,796
- Installment gains 214
- Capital gains distribution 61
- Net gain on sale of securities (Schedule C) 556

The Trustee credits himself with:

- Accounting fees $2,091
- Administrative fees 21,029
- Income tax expense 41,570 (64,690)

Balance before distributions 4,576,937

Distributions to Jane Doe (237,667)

Leaving a Principal Balance of 4,339,270

### Income

The Trustee charges himself with:

- Interest income, taxable 316,557
- Interest, nontaxable 7,863
- Dividend income, taxable 10,564 334,984

The Trustee credits himself with:

- Accounting fees 2,091
- Administrative fees 21,029
- Telephone & utilities 277 (23,397)

Balance before distributions 311,587

Distributions to Jane Doe (311,587)

Leaving an Income Balance of $-

See accompanying accountants’ compilation report.
### Doe Marital Trust

**TRUST PRINCIPAL BALANCE ON HAND - INCOME TAX BASIS**  
December 31, 2005

**ASSETS**
- Cash and cash equivalents (Schedule A) $217,115
- Marketable securities 2,020,835
- Note receivable (Schedule B) 1,802,177
- Contract receivable - XYZ Company 336,179
- Prepaid federal income tax 31,500

Total Assets: $4,407,806

**LIABILITIES AND TRUST PRINCIPAL**
- Due to Jane Doe 68,536
- Trust Principal 4,339,270

Total Liabilities and Trust Principal: $4,407,806

See accompanying accountants’ compilation report.
SCHEDULE A - CASH AND CASH EQUIVALENTS

Bank of America - #011111  $ 77,987
Bank of America Money Market - #022222  139,128

$ 217,115

SCHEDULE B - NOTE RECEIVABLE, JOHN SMITH

Note principal balance  $ 1,817,499
Deferred income  (15,322)

$ 1,802,177

SCHEDULE C - GAIN/(LOSS) ON SECURITY SALES

<table>
<thead>
<tr>
<th>Date</th>
<th>Security</th>
<th>Cost</th>
<th>Selling</th>
<th>Gain/(Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sold</td>
<td></td>
<td></td>
<td>Price</td>
<td></td>
</tr>
<tr>
<td>01/18/04</td>
<td>U.S. Treasury Note</td>
<td>237,188</td>
<td>250,000</td>
<td>12,812</td>
</tr>
<tr>
<td>02/24/04</td>
<td>Northern Sts Pwr Co</td>
<td>92,375</td>
<td>100,930</td>
<td>8,555</td>
</tr>
<tr>
<td>03/03/04</td>
<td>300 sh Gluor Corp</td>
<td>12,870</td>
<td>13,250</td>
<td>380</td>
</tr>
<tr>
<td>03/21/04</td>
<td>300 sh Seattle Mut Svgs</td>
<td>5,950</td>
<td>6,413</td>
<td>463</td>
</tr>
<tr>
<td>03/28/04</td>
<td>300 sh Dow Ord</td>
<td>15,592</td>
<td>16,694</td>
<td>1,102</td>
</tr>
<tr>
<td>04/05/04</td>
<td>Fed Nat'l Mortgage Assoc</td>
<td>250,000</td>
<td>237,969</td>
<td>(12,031)</td>
</tr>
<tr>
<td>04/06/04</td>
<td>U.S. Treasury Note</td>
<td>99,625</td>
<td>95,859</td>
<td>(3,766)</td>
</tr>
<tr>
<td>04/20/04</td>
<td>200 sh Time Co</td>
<td>10,520</td>
<td>12,080</td>
<td>1,560</td>
</tr>
<tr>
<td>05/11/04</td>
<td>15 sh General Boats</td>
<td>5,884</td>
<td>8,178</td>
<td>2,294</td>
</tr>
<tr>
<td>05/18/04</td>
<td>General Boats Bonds</td>
<td>257,319</td>
<td>246,506</td>
<td>(10,813)</td>
</tr>
</tbody>
</table>

$987,323 $987,879 $556

See accompanying accountants’ compilation report.