

# William W. Ferringer

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BROOKSIDE COMMUNITY, INC.  
900 MARROWS ROAD  
NEWARK, DE. 19713

Attention: Mr. John Dash  
Ms. Linda Seltzer  
Ms. Susan Meany

SUBJECT: ACCOUNTANT'S RESPONSE TO AUDITOR'S REPORT

To all:

I am enclosing my response to the auditors report. I am taking several issues in her comments and schedules that she prepared.

I am available to meet with you and discuss my response at a time convenient to all of us.

Very truly yours,



William W. Ferringer  
BCI Accountant

RESPONSE TO AUDIT REPORT  
RECOMMENDATIONS  
PREPARED BY UNIQUE BUSINESS SOLUTIONS  
AUDITOR: JEANETTE WATERS

The auditor's two main concerns center on the posting of the Wilmington Trust checking account interest and the check book register not agreeing to the cash balance as shown in the financial statements.

As for the posting of the checking account interest, the interest is posted in the month in which the bank statement is received. Ms. Waters's concern is that since the bank statement is issued by the bank on or about the 10<sup>th</sup> of each month, the previous month's is misstated. Her recommendation is to ask the bank to cut off the bank statements at the end of each month. By doing this, the interest would be posted in the correct month. However, the fallacy in this statement is that the financial statements would not be completed until the bank statement is received which could be a week to ten days later and the interest posted. As a reference, the interest for the past six months has averaged \$2.35 per month. Using her scenario, the interest that should be posted for the previous month would be \$1.56 to make it absolutely correct.

**Response:**

**I do not recommend the changing of the bank statements in order to accommodate the posting of interest in the "correct" month. Moving of the cut-off date of the bank statements to the end of the month will not materially change any reported amounts on the financial statements. The interest income will still be reported in the month in which the statement is received which is the current process. For example, a statement with a June 30<sup>th</sup> date, the interest will be reported on the July financial statements.**

**As the auditor is recommending, change the date to month end to report the interest reported on the June 30<sup>th</sup> bank statement in the month of June. This would delay the preparation of the financial statements seven to ten days depending on the mailing of the statement by the bank and the receipt of the statement by Brookside Community (BCI) and then the accountant. So instead of getting the finished financial statements on the 1<sup>st</sup> or 2<sup>nd</sup> day of the month, BCI would now receive them on the 7<sup>th</sup> to the 10<sup>th</sup> day of the month and therefore miss the general meeting held on the 1<sup>st</sup> Tuesday of each month. I do not believe it is in the best interest of BCI to delay the preparation of the financial statements by ten days in order to include a couple of dollars of interest. In no case, have there been amounts not reported. The auditor did concur that the items were all accounted for and included in the financial statements.**

As for the check book register and the financial statements cash account not reconciling to each other is not correct. In her report, she indicated that twelve of the twenty-four months she audited, the balance did not reconcile. She took the balance from the check book that corresponded with the last date for any given month. As you will see, there are no differences between the check register and the financial statements. See my response below for reasons as to why this is not a correct assumption on the auditor's part.

**Response:**

**My attached schedule will identify the differences for each of the twelve months in question. There are three primary reasons**

1. Some items are listed out of sequence since there are items that I add to the check register during the month end preparation of the financial statements. In some cases, Janis has already started to enter information for the succeeding month. An observation by the auditor would have shown why the balances may be different. I always include at the bottom of the check register, the amount that I am using in the financial statements for that particular month because it may not be clear as to the correct balance.
2. Some items are not known until the following month. Blank checks may be given to BCI personnel to purchase items but the receipt is not handed into Janis on a regular basis and therefore the amount is not known. When this occurs, I clearly label the item in question as to which month that expense will be reported. Again, if the auditor would have observed the check register, she would have seen that.
3. Expense items for succeeding month included in previous months balance by auditor. Reference is to 10/31/10 balance.

**Other items**

1. Auditor suggests that by changing to a month end bank statement will be more efficient. I do not understand this comment, as it seems to be efficient under the current method.
2. Auditor suggests that the total financial statement process be moved to Quick Books. The Excel spreadsheet has been used for reporting the financial operations of BCI for the past several years. I see no need to change to Quick Books at this time. Quick Books is not that easy to maintain. The main reason for purchasing Quick Books was to track the Dues Receivables and collection process since the old program was out of date and was not giving the information needed to maintain and collect the outstanding dues.
3. Excel spreadsheet is easy to maintain. There are not that many new accounts that would cause additional work to maintain and prepare the financial statements under the current method.

4. Payroll maintained on Excel is not difficult since there are only 2-3 employees at any given time.
5. The preparation of the Tax Form 990 is also relatively easy to prepare from the current financial statements.
6. I have never been involved in an audit that the auditor did not correspond with the accountant when issues came up. A simple phone call or email would have cleared up about 90% of the issues that she raised.

**RESPONSE TO AUDIT REPORT**  
**PERFORMED BY UNIQUE BUSINESS SOLUTIONS**  
**AUDITOR: JEANETTE WATERS**  
**DIFFERENCES PER AUDITOR SCHEUDLE**  
**GENERAL LEDGER VS. CHECK BOOK**

<u>DATE</u>	<u>GENERAL LEDGER</u>	<u>CHECK BOOK</u>	<u>DIFFERENCE</u>	<u>COMMENT</u>
3/31/2009	19,038.18	19,185.45	(147.27)	
				DELMARVA POWER (124.29) LISTED OUT OF SEQUENCE, BUT MARCH ACTIVITY
				FRANCHISE TAX PAYMENT (25.00) LISTED OUT OF SEQUENCE, BUT MARCH ACTIVITY
				MARCH INTEREST INCOME 2.02 LISTED OUT OF SEQUENCE, BUT MARCH ACTIVITY
				(147.27)
5/31/2009	60,190.66	60,078.16	112.50	
				CK# 8749 - THOMAS FERRY (ATTORNEY AS JUNE ACTIVITY)
				CHECK TAKEN BY PRESIDENT; AMOUNT NOT KNOW UNTIL JUNE. EXPENSE RECORDED
7/31/2009	64,213.53	63,346.10	867.43	
				PAYROLL - TERRY LIVESAY 592.63 AUGUST PAYROLL (INCLUDED BY AUDITOR AS JULY)
				PAYROLL - PAMELA FORD 177.01 AUGUST PAYROLL (INCLUDED BY AUDITOR AS JULY)
				PAYROLL - JANIS BROWN 197.79 AUGUST PAYROLL (INCLUDED BY AUDITOR AS JULY)
				CORRECTION FOR CHECK WRITTEN AND ENTERED AS DIFFERENT AMOUNTS (FROM (100.00) 6/12/09)
				867.43
				CK #8772 WRITTEN FOR \$350; ENTERED AS \$250.00
8/31/2009	59,221.20	UNKNOWN	???	
				AUDITOR LISTED CHECK BOOK AMOUNT AS UNKNOWN; NO COMMENT
2/28/2010	102,940.91	101,662.54	1,278.37	
				WHOLESALE JANITOR 133.65 MARCH EXPENSE (INCLUDED BY AUDITOR AS FEBRUARY - LISTED OUT OF SEQUENCE
				PAMELA FORD - PAYROLL 169.55 MARCH PAYROLL (INCLUDED BY AUDITOR AS FEBRUARY - LISTED OUT OF SEQUENCE
				TERRY LIVESAY - PAYROLL 535.67 MARCH PAYROLL (INCLUDED BY AUDITOR AS FEBRUARY - LISTED OUT OF SEQUENCE
				JANIS BROWN - PAYROLL 239.50 MARCH PAYROLL (INCLUDED BY AUDITOR AS FEBRUARY - LISTED OUT OF SEQUENCE
				BARRY ADAMS - BOB CAT RENTAL DEPOSIT 200.00 MARCH EXPENSE (INCLUDED BY AUDITOR AS FEBRUARY - LISTED OUT OF SEQUENCE
				1,278.37

**RESPONSE TO AUDIT REPORT**  
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**AUDITOR: JEANETTE WATERS**  
**DIFFERENCES PER AUDITOR SCHEDULE**  
**GENERAL LEDGER VS. CHECK BOOK**

<u>DATE</u>	<u>GENERAL LEDGER</u>	<u>CHECK BOOK</u>	<u>DIFFERENCE</u>	<u>COMMENT</u>
3/31/2010	96,410.49	96,656.14	(245.65)	14.35 LISTED OUT OF SEQUENCE - LISTED WITH APRIL ACTIVITY, BUT INCLUDED IN MARCH (250.00) LISTED OUT OF SEQUENCE - LISTED WITH APRIL ACTIVITY, BUT INCLUDED IN MARCH (10.00) LISTED OUT OF SEQUENCE - LISTED WITH APRIL ACTIVITY, BUT INCLUDED IN MARCH
			(245.65)	
6/30/2010	147,958.99	147,246.21	712.78	CHECK TAKEN BY PRESIDENT; AMOUNT NOT KNOW UNTIL JULY EXPENSE RECORDED AS JULY ACTIVITY
	CK #9108 - SHAMROCK PRINTING		370.00	JULY ACTIVITY
	CK #9117 US POSTAL SERVICE		342.78	CHECK TAKEN BY PRESIDENT; AMOUNT NOT KNOW UNTIL JULY EXPENSE RECORDED AS JULY ACTIVITY
			712.78	
7/31/2010	149,955.27	149,430.47	524.80	CHECK TAKEN BY PRESIDENT; AMOUNT NOT KNOW UNTIL JULY EXPENSE RECORDED AS JULY ACTIVITY
	CK #9147 - A1 SANITATION		190.00	AUGUST CHECKS LISTED OUT OF SEQUENCE FOR OTHER JULY ACTIVITY
	CK #9148 - HOME DEPOT		84.80	AUGUST CHECKS LISTED OUT OF SEQUENCE FOR OTHER JULY ACTIVITY
	CK #9149 - CHRIST CELEBRATION WINSITRIES		250.00	AUGUST CHECKS LISTED OUT OF SEQUENCE FOR OTHER JULY ACTIVITY
			524.80	
8/31/2010	135,675.65	135,455.65	220.00	CHECK TAKEN BY PRESIDENT; AMOUNT NOT KNOW UNTIL SEPTEMBER EXPENSE RECORDED AS SEPTEMBER ACTIVITY
	CK #9176 US POSTAL SERVICE		220.00	
10/31/2010	134,101.58	133,731.85	369.73	CHECK TAKEN BY PRESIDENT; AMOUNT NOT KNOW UNTIL SEPTEMBER EXPENSE RECORDED AS SEPTEMBER ACTIVITY
	DELMARVA POWER		223.40	NOVEMBER EXPENSES PICKED UP BY AUDITOR IN OCTOBER BALANCE
	DELMARVA POWER		146.33	NOVEMBER EXPENSES PICKED UP BY AUDITOR IN OCTOBER BALANCE
			369.73	

RESPONSE TO AUDIT REPORT  
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 AUDITOR: JEANETTE WATERS  
 DIFFERENCES PER AUDITOR SCHEDULE  
 GENERAL LEDGER VS. CHECK BOOK

<u>DATE</u>	<u>GENERAL LEDGER</u>	<u>CHECK BOOK</u>	<u>DIFFERENCE</u>	<u>COMMENT</u>
11/30/2010	38,285.68	38,118.90	166.78	
	CK #9271 - BLIND FACTORY		164.80	AMOUNT NOT KNOWN UNTIL DECEMBER
	CK CORRECTION		1.00	SUBTRACTED, SHOULD HAVE BEEN ADDED
	CK CORRECTION		1.00	SUBTRACTED, SHOULD HAVE BEEN ADDED
	DEPOSIT CORRECTION		(0.01)	ADDED, SHOULD HAVE BEEN SUBTRACTED
	DEPOSIT CORRECTION		(0.01)	ADDED, SHOULD HAVE BEEN SUBTRACTED
			<u>166.78</u>	
12/31/2010	29,192.09	29,255.69	(63.60)	
	DEPOSIT #117 CORRECTION		(63.60)	12/31/10 DEPOSIT #117 WAS CORRECTED FOR \$63.60 IN ERROR. ERROR WAS CORRECTED WITH JANUARY FINANCIAL STATEMENTS