Grand Valley

To: Marinus Debruine

From: Jason Robson

CC:

Date: September 13, 2016

Re: Contingencies

Comments: Greetings, I have received your request and completed researching Anchor Bancorp financial statements for 2016. Below is what I found concerning contingences stated in the company's financial filing.

Anchor Bancorp stated in their annual financial report the company is a defendant in various legal proceedings arising in connection with its business. It goes on to state it is the opinion of Anchor Bancorp management that the financial position and the results of operations of the company will not be materially adversely affected by the final outcome of the legal proceedings and that adequate provision has been made in the accompanying consolidated financial statements (Anchor Bancorp, 2016 10-K, item 9, note 16).

This disclosure note follows the guidelines of the Accounting Standards Codification 450-20-50-3 and 450-20-50-4.

ASC 450-20-50-3 states a disclosure of the contingency shall be made if there is at least a reasonable possibility that a loss or an additional loss may have been incurred and either of the following conditions exists:

An accrual is not made for a loss contingency because any of the conditions in paragraph 450-20-25-2 are not met (ASC 450-20-50-3). ASC 450-20-25-2 states information available before the financial statements are issued or are available to be issued indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the financial statements (ASC 450-20-25-2). The amount of loss can be reasonably estimated (ASC 450-20-25-2).

An exposure to loss exists in excess of the amount accrued pursuant to the provisions of paragraph 450-20-30-1 (ASC 450-20-50-3). Paragraph 450-20-30-1 states if some amount within a range of loss appears at the time to be a better estimate than any other amount within the range, that amount shall be accrued (ASC 450-20-30-1). When no amount within the range is a better estimate than any other amount, however, the minimum amount in the range shall be accrued (ASC 450-20-30-1). Even though the minimum amount in the range is not necessarily the amount of loss that will be ultimately determined, it is not likely that the ultimate loss will be less than the minimum amount (ASC 450-20-30-1).

Finally, the ASC states the disclosure in the preceding paragraph shall include both of the following: The nature of the contingency (ASC 450-20-50-4) and an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made (ASC 450-20-50-4).

Anchor Bancorp follows ASC 450-20-50-3 by including a disclosure note informing the investors there’s a reasonable possibility a loss or an additional loss may have been incurred. Bancorp also includes the nature of the contingency and states an estimate cannot be made (ASC 450-20-50-4).

In conclusion, a loss is accrued if it is probable (and measurable), disclosed only if reasonably possible, and if a range is required the bottom is accrued.

Engineered Solutions

To: Randy Patey

From: Jason Robson

CC:

Date: 10/13/2016

Re: Deferred Tax Liability

Comments: Good day Randy Patey,

I have received your message and took the time to give a thorough analysis of the current situation and to answer your concerns. Below is what I have found and recommend Engineered Solutions should do.

The objectives of accounting for income taxes are to recognize the amount of taxes payable (or refundable) for the current year and deferred tax liabilities and assets for the estimated future tax consequences of temporary differences and carryforwards.

Temporary differences are differences between the tax basis of assets or liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. Permanent differences are caused by transactions and events that under existing tax law will never affect taxable income or taxes payable.

Tax laws do have some provisions that exempt certain revenues from taxation and prohibit the deduction of certain expenses. In our company, such a deduction is the insurance premium we pay each year on the CEO's life insurance policy. Permanent differences are disregarded when determining both the tax payable currently and the deferred tax effect.

ASC 740-10-55-23 gives us guidance in which take rate to use. ASC 740-10-55-23 states the tax rate or rates that are used to measure deferred tax liabilities and deferred tax assets are the enacted tax rates expected to apply to taxable income in the years that the liability is expected to be settled or the asset recovered. Measurements are based on elections that are expected to be made for tax purposes in future years. Presently enacted changes in tax laws and rates that become effective for a particular future year or years must be considered when determining the tax rate to apply to temporary differences reversing in that year or years.

Tax laws and rates for the current year are used if no changes have been enacted for future years. An asset for deductible temporary differences that are expected to be realized in future years through carryback of a future loss to the current or a prior year (or a liability for taxable temporary differences that are expected to reduce the refund claimed for the carryback of a future loss to the current or a prior year) is measured using tax laws and rates for the current or a prior year, that is, the year for which a refund is expected to be realized based on loss carryback provisions of the tax law. (ASC 740-10-55-23)

Based on that long ASC description, we can determine the deferred tax liability as follows:

The reported amount in the financial statements for our building is $5,600,000, which is its $6,000,000 cost reduced by two years of straight-line depreciation of $200,000 per year ($6,000,000 / 30 years). The tax basis is $5,200,000, so there is a $400,000 temporary difference. The deferred tax liability is that amount times the tax rate when the future taxable amounts are taxable. That rate is the currently enacted rate, 40%, even though it's likely the rate might change.

One final quick note, ASC 740-1055-7 states the measurement of deferred tax assets is reduced if necessary, by a valuation allowance to reflect the net asset amount that is "more likely than not" to be realized. (ASC 740-10-55-7)

In conclusion, the tax rate or rates that are used to measure deferred tax liabilities and deferred tax assets are the enacted tax rates expected to apply to taxable income in the years that the liability is expected to be settled or the asset recovered. Presently enacted changes in tax laws and rates that become effective for a particular future year or years must be considered when determining the tax rate to apply to temporary differences reversing in that year or years. Tax laws and rates for the current year are used if no changes have been enacted for future years.

Phoenix Accounting Incorporated

4567 Ethel Ave, Grand Rapids, MI. 49512. | 616-655-4356 | makebelieveemail@gmail.com

September 30, 2015

Mr. John Smith
CEO
Global Bike Inc.
1234 Project Drive
Dallas, TX. 56798

Dear John Smith:

Phoenix Accounting Incorporated (PAI) is a highly organized and self-driven company, passionate about the quality and consistency of its client's financial statements. PAI is committed to improving client relations and maintaining financial information integrity and consistency. Possessing more than fifteen years of experience of working in diverse financial positions with multiple companies, we strive for excellence and our certified public accountants work closely with our clients in developing fair and accurate financial reports for our clients. Our CPA's are accomplished communicators, with excellent organizational, decision making, and time management skills and have a proven track record of consistently meeting and regularly surpassing expectations.

The financial statements presented in this report are consistent with the quality and timely standards expected of PAI. Our CPA's worked diligently to maintain the quality and consistency standard expected of PAI. We hope these reports meet your standard and expectations. Your business is important to us and we look forward to future business opportunities that strengthen our relationship with your company and continue to offer you services that meet and exceed your expectations.

Sincerely,

Jason Robson

	Unadjusted	Trial bal.	Adjusting	Entries	Adjusted	trial bal.	Income
	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
Cash	$ 19,600.00				$ 19,600.00		
Rent Receivable			$ 800.00		$ 800.00		
Prepaid Insurance	$ 4,500.00			$ 2,625.00	$ 1,875.00		
Supplies Inventory	$ 2,600.00			$ 2,150.00	$ 450.00		
Land	$ 20,000.00				$ 20,000.00		
Cottages	$ 150,000.00				$ 150,000.00		
Acc. Depreciation-Cottages		$ 30,000.00		$ 5,400.00		$ 35,400.00	
Furniture	$ 20,000.00				$ 20,000.00		
Acc. Depreciation-Furniture		$ 4,000.00		$ 1,800.00		$ 5,800.00	
A/P		$ 4,500.00				$ 4,500.00	
Unearned Rent Revenue		$ 4,600.00	$ 3,800.00			$ 800.00	
Interest Payable				$ 6,000.00		$ 6,000.00	
Salaries Payable				$ 375.00		$ 375.00	
Mortgage Payable		$ 60,000.00				$ 60,000.00	
Common stock		$ 91,000.00				$ 91,000.00	
Retained Earnings		$ 9,000.00				$ 9,000.00	
Dividends	$ 5,000.00				$ 5,000.00		
Rent Revenue		$ 76,200.00		$ 4,600.00		$ 80,800.00	
Salaries Expense	$ 44,800.00		$ 375.00		$ 45,175.00		$ 45,175.00
Utilities expense	$ 9,200.00				$ 9,200.00		$ 9,200.00
Repair Expense	$ 3,600.00				$ 3,600.00		$ 3,600.00
Insurance Expense			$ 2,625.00		$ 2,625.00		$ 2,625.00
Supplies Expense			$ 2,150.00		$ 2,150.00		$ 2,150.00
Interest Expense			$ 6,000.00		$ 6,000.00		$ 6,000.00
Depreciation Expense			$ 7,200.00		$ 7,200.00		$ 7,200.00
Sub-Totals	$279,300.00	$279,300.00	$22,950.00	$22,950.00	$293,675.00	$293,675.00	
Net Income							$ 4,850.00
Ending Retained Earnings							
Totals							$ 80,800.00

adjusting entries:

	Dr.	Cr.
Rent Receivable	800	
Rent Revenue		800

Unearned Rent Revnue	3800	
Rent Revnue		3800
Salaries Expense	375	
Salaries Payable		375
Insurance Expense	2625	
Prepaid Insurance		2625
Supplies Expense	2150	
Supplies Inventory		2150
Interest Expense	6000	
Interest Payable		6000
Depreciation Expense	7200	
Acc. Depreciation - Cottages		5400
Acc. Depreciation-Furniture		1800

Statement	Stmt.	R.E.	balance	Sheet
Cr.	Dr.	Cr.	Dr.	Cr.
			$ 19,600.00	
			$ 800.00	
			$ 1,875.00	
			$ 450.00	
			$ 20,000.00	
			$ 150,000.00	
				$ 35,400.00
			$ 20,000.00	
				$ 5,800.00
				$ 4,500.00
				$ 800.00
				$ 6,000.00
				$ 375.00
				$ 60,000.00
				$ 91,000.00
		$ 9,000.00		
	$ 5,000.00			
$ 80,800.00				
		$ 4,850.00		
	$ 8,850.00			$ 8,850.00
$ 80,800.00	$ 13,850.00	$ 13,850.00	$ 212,725.00	$ 212,725.00

Seaside Marina
Balance Sheet
June 30,2015

Current Assets		Current Liabilities	
Cash	$23,378.30	Accounts Payable	$5,459.00
Accounts Receivable	$4,285.00	Notes Payable	$60,000.00
Notes Receivable	$4,315.00	Interest Payable	$136.11
Interest Receivable	$14.38	Employee Income Tax Payable	$246.00
Inventory	$4,994.00	FICA Tax Payable	$328.00
Prepaid Store Rent	$400.00	Salaries Payable	$180.00
Prepaid Insurance	$862.50	Dividends Payable	$800.00
Prepaid Advertising	$350.00	Unearned Rent	$500.00
Office Supplies	$105.00	**Total Current Liabilities:**	**$67,649.11**
Store Supplies	$400.00		
Total Current Assets:	**$39,104.18**	Common Stock and Retained Earnings	
		Common Stock	$20,000.00
Non-Current Assets		Retained Earnings	$4,946.15
Office Equipment	$1,200.00	**Total Common Stock and Retained Earnings:**	**$24,946.15**
Less: Accumulated Depreciation	($10.00)		
Store Equipment	$2,470.00	**Total Liabilities:**	**$92,595.26**
Less: Accumulated Depreciation	($18.92)		
Warehouse	$40,000.00		
Less: Accumulated Depreciation	($150.00)		
Land	$10,000.00		
Total Non-Current Assets:	**$53,491.08**		
Total Assets:	**$92,595.26**		

Seaside Marina Income Statement For the month ending of June 30, 2015	
Revenue	
Gross Sales	$42,769.00
Less: Sales Returns and Allowances	($1,158.00)
Less: Sales Discounts	($287.30)
Net Sales:	**$41,323.70**
Interest Revenue	$14.38
Total Revenue:	**$41,338.08**
Cost of Sales	
Beginning Inventory	$0.00
Purchases	$36,264.00
Less: Purchase Returns and Allowances	($1,455.00)
Less: Purchase Discounts	($71.60)
Transportation In	$311.00
Total Goods Available for Sale:	**$35,048.40**
Less: Ending Inventory	($4,994.00)
Total Cost of Sales:	**$30,054.40**
Gross Profit:	**$11,269.30**
Expenses	
Advertising Expense	$200.00
Delivery Expense	$118.00
Salaries and Wages Expense	$1,640.00
Store Supplies Expense	$1,928.00
Office Supplies Expense	$435.00
Rent Expense	$400.00
Utilities Expense	$300.00
Payroll Tax Expense	$164.00
Insurance Expense	$37.50
Depreciation Expense: Office Equipment	$10.00
Depreciation Expense: Store Equipment	$18.92
Depreciation Expense: Warehouse	$150.00
Interest Expense	$136.11
Total Expenses:	**$5,537.53**
Net Income:	**$5,746.15**

Seaside Marina Statement of Retained Earnings For the month ending of June 30,2015	
Retained Earnings	
Beginning Retained Earnings	$0.00
Net Income	$5,746.15
Dividends	($800.00)
Ending Retained Earnings:	**$4,946.15**

Seaside Marina Statement of Retained Earnings For the month ending June 30, 2015	
Retained Earnings	
Beginning Retained Earnings	$0.00
Net Income	$5,746.15
Dividends	($800.00)
Ending Retained Earnings:	**$4,946.15**