

VERNON COMMUNITY ACTION COUNCIL, INC.
Leesville, Louisiana

Financial Statements
December 31, 2022

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Vernon Community Action Council, Inc.
Leesville, Louisiana

We have reviewed the accompanying financial statements of Vernon Community Action Council, Inc. (a nonprofit organization) (the Council), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Vernon Community Action Council, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The supplementary information included in the Schedule of Compensation, Benefits and Other Payments to Executive Director is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used prepare the financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Council will continue as a going concern. As discussed in Note 15 to the financial statements, the Council has significant back payroll taxes and has stated that substantial doubt exists about the Council's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

Broussard and Company

Lake Charles, Louisiana
June 8, 2023



Independent Accountant's Report
on Applying Agreed-Upon Procedures

To the Board of Directors
Vernon Community Action Council, Inc.
Leesville, Louisiana

We have performed the procedures enumerated below on Vernon Community Action Council, Inc.'s (the Council) compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the fiscal year ended December 31, 2022, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. The Council's management is responsible for its financial records and compliance with applicable laws and regulations.

The Council has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the Council's compliance with the laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the year ended December 31, 2022. Additionally, the Louisiana Legislative Auditor has agreed to and acknowledged that the procedures performed are appropriate for its purposes. The report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

Federal, State, and Local Awards

1. Obtain the list of federal, state, and local government grant award expenditures for the fiscal year, by grant and grant year, from the Agency's management.

The Council provided us with the following list of expenditures made for federal grant awards received during the fiscal year ended December 31, 2022.

Federal, State or Local Grant Name	Grant Year	CFDA No. (if applicable)	Amount
Community Services Block Grant (CSBG)	2020-2022	93.569	\$ 184,082
Low Income Home Energy Assistance (LIHEAP)	2022	93.568	46,932
Total Expenditures			\$ 231,014

The Agency represented that they received no state or local government grant awards during the fiscal year ended December 31, 2022.

2. For each federal, state, and local grant award, randomly select six disbursements from each grant administered during the fiscal year, provided that no more than 30 disbursements are selected.
3. Obtain documentation for the disbursements selected in Procedure 2. Compare the selected disbursements to supporting documentation, and report whether the disbursements agree to the amount and payee in the supporting documentation.
 - Each of the selected disbursements agreed to the amount and payee in the supporting documentation.
4. Report whether the selected disbursements were coded to the correct fund and general ledger account.
 - All of the disbursements were coded to the correct fund and general ledger account.
5. Report whether the selected disbursements were approved in accordance with the Council's policies and procedures.
 - The Council's policies and procedures state that the executive director must approve all disbursements. Documentation supporting each of the selected disbursements included the signature of the executive director.
6. For each selected disbursement made for federal grant awards, obtain the *Compliance Supplement* for the applicable federal program. For each disbursement made for a state or local grant award, or for a federal program not included in the *Compliance Supplement*, obtain the grant agreement. Compare the documentation for each disbursement to the program compliance requirements or the requirements of the grant agreement relating to activities allowed or unallowed, eligibility, and reporting; and report whether the disbursements comply with these requirements.

Activities allowed or unallowed

We compared documentation for each of the selected disbursements with program compliance requirements related to services allowed or not allowed. No exceptions were noted.

Eligibility

We compared documentation for each of the selected disbursements with program compliance requirements related to eligibility. No exceptions were noted.

Reporting

We compared documentation for each of the selected disbursements with program compliance requirements related to reporting. No exceptions were noted.

7. Obtain the close-out reports, if required, for any program selected in Procedure 2 that was closed out during the fiscal year. Compare the close-out reports, if applicable, with the Agency's financial records; and report whether the amounts in the close-out reports agree with the Agency's financial records.
 - The selected disbursements included one federal grant award that was closed out during the period of our review. We compared the close-out reports for the federal program with the Council's financial records. The amounts reported on the close-out reports agreed to the Council's financial records.

Open Meetings

8. Obtain evidence from management that agendas for meetings recorded in the minute book were posted as required by Louisiana Revised Statute 42:11 through 42:28 (the open meetings law), and report whether there are any exceptions. Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication “Open Meetings Law” available on the Legislative Auditor’s website at [https://app.la.state.la.us/llala.nsf/BAADB2991272084786257AB8006EE827/\\$FILE/Open%20Meetings%20Law%20FAQ.pdf](https://app.la.state.la.us/llala.nsf/BAADB2991272084786257AB8006EE827/$FILE/Open%20Meetings%20Law%20FAQ.pdf), to determine whether a non-profit agency is subject to the open meetings law.
 - Management represented that the Council is only required to post a notice of each meeting and the accompanying agenda on the door of the Council’s office building. We examined evidence indicating that the agendas for meetings recorded in the minutes were posted as an open meeting as required by R.S. 42:11 through 42:28.

Budget

9. For each grant exceeding five thousand dollars, obtain the comprehensive grant budgets that the Council provided to the applicable federal, state or local grantor agency. Report whether the budgets for federal, state and local grants included the purpose and duration of the grants; and whether budgets for state grants also included specific goals, objectives, and measures of performance.
 - The Council provided documentation that comprehensive budgets were submitted to the applicable federal grantor agency for the grants exceeding five thousand dollars. These budgets included the purpose and duration of the grant program.

State Audit Law

10. Report whether the agency provided for a timely report in accordance with R.S. 24:513.
 - The Council’s report was submitted to the Legislative Auditor on June 2, 2023. This is considered timely in accordance with R.S. 24:513.
11. Inquire of management and report whether the agency entered into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).
 - The Council’s management represented that the Council did not enter into any contracts during the fiscal year that were subject to the public bid law.

Prior-Year Comments

12. Obtain and report management’s representation as to whether any prior year suggestions, exceptions, recommendations, and/or comments have been resolved.
 - There were no prior year suggestions noted as the prior year engagement was a compilation performed for the year ended December 31, 2021. However, there was a going concern emphasis of matter paragraph added to the compilation report due to the Council’s prior year significant payroll tax and withholdings liability. Based on this, the going concern paragraph will remain in the current review report for the year ended December 31, 2022.

We were engaged by the Council to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the United States Comptroller General. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Council's compliance with the foregoing matters. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on the Council's compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Broussard and Company

Lake Charles, Louisiana
June 8, 2023

**LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Quasi-public Agencies)**

05-11-23 (Date Transmitted)
Broussard and Company (CPA Firm Name)
127 West Broad St. Suite 800 (CPA Firm Address)
Lake Charles, La. 70601 (City, State Zip)

In connection with your engagement to apply agreed-upon procedures to the control and compliance matters identified below, as of 5-10-23 (date) and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the *Louisiana Governmental Audit Guide*, we make the following representations to you.

Federal, State, and Local Awards

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes No [] N/A []

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and local grantor officials.

Yes No [] N/A []

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes No [] N/A []

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes No [] N/A []

Open Meetings

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website to determine whether a non-profit agency is subject to the open meetings law.**

Yes No [] N/A []

Budget

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

Yes No [] N/A []

Reporting

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes No [] N/A []

We did not enter into any contracts that utilized state funds as defined in R.S. 39:72.1 A. (2); and that were subject to the public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).

Yes No N/A

We have complied with R.S. 24:513 A. (3) regarding disclosure of compensation, reimbursements, benefits and other payments to the agency head, political subdivision head, or chief executive officer.

Yes No N/A

We have complied with R.S. 24:515.2 regarding reporting of pre- and post- adjudication court costs, fines and fees assessed or imposed; the amounts collected; the amounts outstanding; the amounts retained; the amounts disbursed, and the amounts received from disbursements.

Yes No N/A

Prior-Year Comments

We have resolved all prior-year recommendations and/or comments.

Yes No N/A

General

We acknowledge that we are responsible for the Agency's compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes No N/A

We acknowledge that we are responsible for determining that that the procedures performed are appropriate for the purposes of this engagement.

Yes No N/A

We have evaluated our compliance with these laws and regulations prior to making these representations.

Yes No N/A

We have provided you with all relevant information and access under the terms of our agreement.

Yes No N/A

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations.

Yes No N/A

We are not aware of any material misstatements in the information we have provided to you.

Yes No N/A

We have disclosed to you any communications from regulatory agencies, internal auditors, other independent practitioners or consultants, and others concerning noncompliance with the foregoing laws and regulations, including communications received during the period under examination; and will disclose to you any such communication received between the end of the period under examination and the date of your report.

Yes No N/A

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies all known noncompliance and other events subsequent to the date of this representation and the date of your report that could have a material effect on our compliance with laws and regulations and the internal

controls with such laws and regulations, or would require adjustment or modification to the results of the agreed-upon procedures.

Yes No N/A

The previous responses have been made to the best of our belief and knowledge.

_____	Secretary	_____	Date
_____	Treasurer	_____	Date
<i>M. P. Antonino</i>	President	5/19/23	Date

VERNON COMMUNITY ACTION COUNCIL, INC.
Statement of Financial Position
As of December 31, 2022

Assets

Current Assets:	
Cash	\$ 32,591
Grant receivables	12,021
Prepaid insurance	<u>1,017</u>
Total Current Assets	<u>45,629</u>
 Noncurrent Assets:	
Right-of-Use Lease asset	15,355
Fixed assets	274,019
Accumulated depreciation	<u>(86,554)</u>
Total Noncurrent Assets	<u>202,820</u>
 Total Assets	 <u><u>\$ 248,449</u></u>

Liabilities and Net Assets

Current Liabilities:	
Accounts payable	\$ 5,800
Accrued liabilities	116,671
Lease liability - current portion	<u>12,497</u>
Total Current Liabilities	<u>134,968</u>
 Long-Term Liabilities:	
Lease liability - noncurrent portion	<u>3,251</u>
 Total Liabilities	 <u>138,219</u>
 Net Assets	
Without donor restrictions	<u>110,230</u>
 Total Net Assets	 <u>110,230</u>
 Total Liabilities and Net Assets	 <u><u>\$ 248,449</u></u>

The accompanying notes are an integral part of this statement

VERNON COMMUNITY ACTION COUNCIL, INC.
Statement of Activities
For The Year Ended December 31, 2022

Changes in Net Assets Without Donor Restrictions:

Revenue, Gains and Other Support

Governmental Grants	\$	238,565
Miscellaneous Revenues		185,959
		185,959

Total Revenues, Gains and Other Support Without Donor Restrictions		424,524
		424,524

Expenses

Local		27,954
Charitable Gaming		101,529
CSBG		184,475
LIHEAP		46,932
		46,932

Total Expenses		360,890
		360,890

Increase in Net Assets Without Donor Restrictions		63,634
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Net Assets Without Donor Restrictions, Beginning of Period		46,596
		46,596

Net Assets Without Donor Restrictions, End of Period	\$	110,230
		110,230

The accompanying notes are an integral part of this statement

VERNON COMMUNITY ACTION COUNCIL, INC.
Statement of Functional Expenses
For The Year Ended December 31, 2022

	Local	Charitable Gaming	CSBG	LIHEAP	TOTAL
Salaries	\$ 22,539	\$ 12,400	\$ 46,207	\$ 26,449	\$ 107,595
Payroll taxes and withholdings	4,004	-	2,340	2,264	8,608
Insurance	-	-	1,614	5,095	6,709
Operations	-	12,938	121,610	398	134,946
Professional fees/contracts	325	75	2,209	745	3,354
Miscellaneous	588	502	641	155	1,886
Rent	146	71,209	641	321	72,317
Seminars and workshops	-	-	750	567	1,317
Supplies and materials	-	3,365	1,566	530	5,461
Travel	-	-	1,164	3,896	5,060
Utilities	95	-	743	2,506	3,344
Amortization expense	230	931	4,466	3,586	9,213
Interest expense	27	109	524	420	1,080
Total Expenses	<u>\$ 27,954</u>	<u>\$ 101,529</u>	<u>\$ 184,475</u>	<u>\$ 46,932</u>	<u>\$ 360,890</u>

The accompanying notes are an integral part of this statement

VERNON COMMUNITY ACTION COUNCIL, INC.
Statement of Cash Flows
For The Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from supporters, grants, programs, fees	\$ 425,970
Cash paid to suppliers	(344,219)
Cash paid to employees	(116,203)
Interest expense	<u>(1,080)</u>
Net Cash Provided (Used) by Operating Activities	<u>(35,532)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments made on the lease liability	<u>(8,820)</u>
Net Cash Provided (Used) by Financing Activities	<u>(8,820)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(44,352)
CASH AT BEGINNING OF YEAR	<u>76,943</u>
CASH AT END OF YEAR	<u><u>\$ 32,591</u></u>
 RECONCILIATION OF DECREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET CASH USED BY OPERATING ACTIVITIES:	
Increase (decrease) in net assets without donor restrictions	63,634
Depreciation and amortization	9,213
Adjustments to reconcile changes in excess of revenue and support over expenses to net cash provided by operating activities:	
(Increase) decrease in receivables	1,446
(Increase) decrease in prepaid expenses	474
Increase (decrease) in accounts payable	(4,700)
Increase (decrease) in accrued liabilities	<u>(105,599)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (35,532)</u></u>
 Non-Cash Transactions	
On April 1, 2022, the Council entered into a lease for its office space. The Council recorded a right-to-use asset and a lease liability based on the lease terms in accordance with GASB 87, <i>Leases</i> .	<u><u>\$ 24,569</u></u>

The accompanying notes are an integral part of this statement

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements
December 31, 2022

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

Nature of Organization

The Vernon community Action Council, Inc., (Council) is a non-profit corporation incorporated to strengthen and preserve the dignity and economic mix of the parish. The work of the corporation significantly affects three level of community life: helping individuals and families with housing and social services; establishing other programs designed to meet pressing community needs. The Council is exempt from state and federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The Council's open audit periods are from 2019 through 2022.

The Council operates as a community action agency administering various federal and state funded programs designed to provide assistance to the poor, disadvantaged, and unemployed in Vernon Parish. The Council administers the following programs shown for the year ended December 31, 2022:

Community Services Block Grant (CSBG) Administers various programs to fulfill responsibilities and provide assistance to the poor, disadvantaged, and unemployed through housing services, community projects, nutrition services, emergency assistance, employment services, transportation services and other services. Funding is provided by federal funds passed through the State of Louisiana, Department of Labor.

Low-Income Energy Assistance (LIHEAP) Program provides assistance in the form of an energy payment to a vendor on behalf of hardship households and energy conservation education. Funding is provided by federal funds passed through the Louisiana Housing Finance Council and the Louisiana Community Action Partnership.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements
December 31, 2022

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued):

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with principles generally accepted in the United States of America. The Council is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. The Council does not have any net assets with donor restrictions. Grants restricted by grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the grants are recognized.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Council consider all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

It is the Council's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Council reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Council reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over useful lives.

VERNON COMMUNITY ACTION COUNCIL, INC
Notes to Financial Statements
December 31, 2021

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued):

Funding Policies

The Council receives their monies through basically three methods of funding. Most of the funds are obtained through grants. Under this method, funds are received on a monthly allocation of the total budget in advance of the actual expenditure. The Council also received funds as a reimbursement of actual expenditures. The other method by which the Council received funding is through private and in-kind contributions.

Compensated Absences

Employees accrue vacation leave based on years of service. Employees with more than ten years of service may carry over unused personal time off to the next calendar year at maximum of 240 hours. Accrued vacation leave totaled \$5,041 as of December 31, 2022.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Deposits with Financial Institutions

The Council's bank balances of deposits with financial institutions at December 31, 2022 were fully insured by the Federal Deposit Insurance Corporation.

Note 2 - Board Members

During the period covered by our audit, there were no payments made to or on behalf of board members.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements
December 31, 2022

Note 3 - Claims and Contingencies

The Council receives revenues from various Federal and State grant programs which are subject to final review and approval as to allow ability of expenditures by the respective grantor agencies. Any settlements or expenses arising out of a final review are recognized in the period in which agreed upon by the agency and the Council.

Note 4 - Economic Dependency

The Council receives a significant portion of its revenue from funds provided through grants. The grant amounts are appropriated each year by the Federal and State governments. Possible significant budget cuts are made at the Federal and/or State level. The amount of funds the Council receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Council will receive in the next fiscal year.

Note 5 - Grants Receivable

Grants receivable represent amounts that have been expended for grant purposes and are to be reimbursed by the grantor. Management considers all receivables to be collectible. Therefore, no allowance for doubtful accounts has been established.

Grants receivable at December 31, 2022 consisted of the following:

CSBG	\$	6,890
LIHEAP		<u>5,131</u>
		<u>\$ 12,021</u>

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements
December 31, 2022

Note 6 - Property and Equipment

Property and equipment consist of the following:

Land	\$	22,747
Buildings		207,718
Equipment		36,323
Furniture and fixtures		7,231
Less: Accumulated depreciation		(86,554)
		187,465
	\$	187,465

Property and equipment acquisitions are capitalized at cost, if purchased, or at estimated fair market value if donated. Depreciation of property and equipment is computed principally by the straight-line method over 5 – 27.5 years. Depreciation expense totaled \$0 for the year ending December 31, 2022.

In accordance with GASB 87, *Leases*, the Council recognized a right-of-use lease asset related to their building lease as described in Note 10. The right-of-use lease asset balance as of December 31, 2022 was \$15,355. Amortization expense for the current fiscal year amounted to \$9,312. The lease is set to expire March 31, 2024.

Note 7 - Risk Management

The Council is exposed to various risks of loss related to torts, theft or damage and destruction of assets, error and omissions, injuries to employees, and natural disasters. The Council carries commercial insurance for these risks.

Note 8 - Fair Values of Financial Instruments

The Council determined the fair value of its assets and liabilities through a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels. Level 1 inputs to the valuation methodology are based on unadjusted quoted prices for identical assets in active markets that the Council has the ability to access. Level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets and/or based on inputs that are derived principally from or corroborated by observable market data. Level 3 inputs are unobservable and are based on assumptions that market participants would utilize in pricing the asset.

The fair value of financial instruments, including cash, approximate the carrying value, principally because of the short maturity of those items and are considered Level 1 or Level 2.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements
December 31, 2022

Note 9 - Liquidity and Availability of Financial Assets

The following reflects the Council’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. The Council has \$44,612 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$32,591 and grant receivables of \$12,021. The grant receivables are subject to implied time restrictions but are expected to be collected within one year. The Council has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 10 - Building Lease

The Council entered into a lease of a building for a period of one year, commencing on April 1, 2022 and ending on March 31, 2023. The lease amount is \$1,100 per month with an option to renew for an additional one year at \$1,100 per month. In accordance with GASB 87, *Leases*, the value of the lease liability is \$15,748 as of December 31, 2022.

The future principal and interest payments for this lease as of December 31, 2022 are as follows:

Fiscal Year	Principal	Interest	Total
2023	\$ 12,497	\$ 703	\$ 13,200
2024	3,251	49	3,300
Total	<u>\$ 15,748</u>	<u>\$ 752</u>	<u>\$ 16,500</u>

Note 11 - Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Council adopted the new standard effective January 1, 2020, using the full retrospective method.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements
December 31, 2022

Note 11 - Revenue Recognition (Continued)

As part of the adoption of the ASU, the Council elected to use the following transition practical expedients: (i) completed contracts that begin and end in the same annual reporting period have not been restated; (ii) the Council used the known transaction price for completed contracts; (iii) to exclude disclosures of transaction prices allocated to remaining performance obligations when the Council expects to recognize such revenue for all periods prior to the date of initial application of the ASU; and (iv) the Council has reflected the aggregate of all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price.

The majority of the Council’s revenue is recognized over time based on grants from several governmental agencies as well as hosting weekly bingo. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Council’s revenue streams do not contain variable consideration and contract modifications are generally minimal. For these reasons, there is not a significant impact as a result of electing these transition practical expedients.

The adoption of this ASU did not have a significant impact on the Council’s financial statements. Based on the Council’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Note 12 - Disaggregation of Revenue from Contracts with Customers

The Council reports revenues based on the following categories: Governmental Grants and Other Miscellaneous Revenue. The Council has determined that these categories can be used to meet the objective of the disaggregation disclosure requirements, which is to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The following table disaggregates the Agency’s revenue based on type and on the timing of satisfaction of performance obligations for the year ended December 31, 2022:

	<u>Governmental Grants</u>	<u>Other Revenue</u>	<u>Total</u>
Performance obligations satisfied at a point in time	\$ -	\$ -	\$ -
Performance obligations satisfied over time	<u>238,565</u>	<u>185,959</u>	<u>424,524</u>
	<u>\$ 238,565</u>	<u>\$ 185,959</u>	<u>\$ 424,524</u>

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements
December 31, 2022

Note 13 - Contract Balances

Contract assets include unbilled amounts resulting from sales under contracts when the percentage-of-completion cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer. Contract liabilities include billings in excess of revenue recognized. Contract assets and contract liabilities were as follows for the year ended December 31, 2022:

	<u>2022</u>
Contract assets	\$ -
Contract liabilities	-

Note 14 - Subsequent Events

The Council evaluated its December 31, 2022 financial statements for subsequent events through June 8, 2023, the date the financial statements were available to be issued. The recent coronavirus pandemic could have a detrimental impact on the Council's operations and funding. The impact is unknown at the time the financial statements were available to be issued.

Note 15 - Going Concern

As shown in the accompanying financial statements, the Council's current liabilities include past federal payroll and income taxes of \$101,394. This factor creates a substantial doubt about the Council's ability to continue as a going concern for the year following the date the financial statements are available to be issued. Management of the Council has evaluated this condition and has proposed expense reductions, negotiations with federal tax authorities and sale of assets. The Council has reached an agreement with federal tax authorities on a payment plan for the prior period federal payroll and income taxes. The ability of the Council to continue as a going concern and meet its obligations as they become due is dependent on management's ability to successfully implement the plan. The financial statements do not include any adjustments that might be necessary if the Council is unable to continue as a going concern.

VERNON COMMUNITY ACTION COUNCIL, Inc
Schedule of Compensation, Benefits and Other Payments to Executive Director
December 31, 2022

Agency Head Name: Courtney Cox, Executive Director

Purpose	Amount
Salary	\$ 34,378
Benefits-insurance	
Benefits-retirement	
Benefits (other)	
Car allowance	
Reimbursements (meals)	
Travel	
Registration fees	
Conference travel (air fare)	
Housing/Hotel	