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**VERNON COMMUNITY ACTION COUNCIL, INC.**  
**LEESVILLE, LOUISIANA**

**ANNUAL FINANCIAL REPORT**  
For the Year Ended December 31, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other governmental public officials. The report is available for public inspection at the State Revenue Office, 1000 North Third Street, Suite 1000, Leesville, Louisiana 71241, or the chamber of the parish clerk or court.

Release Date JUL 19 2000

VERNON COMMUNITY ACTION COUNCIL, INC.  
LEESVILLE, LOUISIANA  
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### Independent Auditor's Report

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

I have audited the accompanying statement of financial position of Vernon Community Action Council, Inc., (a nonprofit organization) as of December 31, 1999, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Vernon Community Action Council, Inc. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vernon Community Action Council, Inc., as of December 31, 1999, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 26, 2000, on my consideration of Vernon Community Action Council, Inc., internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

  
June 26, 2000

**VERNON COMMUNITY ACTION COUNCIL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 1999

	<b>1999</b>
<b>Assets</b>	
Current Assets	
Grants Receivable (Net)	\$ 64,952
Tax Refund Receivable	1,285
<b>Total Current Assets</b>	<b>66,237</b>
Noncurrent assets	
Fixed Assets - At cost (Net of accumulated depreciation of (\$69,516))	26,058
<b>Total Noncurrent Assets</b>	<b>26,058</b>
<b>Total Assets</b>	<b>\$ 92,295</b>
<b>Liabilities and Net Assets</b>	
Current Liabilities	
Bank Overdraft	\$ 9,781
Note Payable	19,885
Accounts payable and accrued expenses	20,643
Interest Payable	2,620
Due to funding agency	2,993
<b>Total Current Liabilities/Total Liabilities</b>	<b>55,922</b>
Net assets	
Unrestricted Net Assets	36,373
<b>Total Unrestricted Net Assets/Total Net Assets</b>	<b>36,373</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 92,295</b>

The accompanying notes are an integral part of these statements.

**VERNON COMMUNITY ACTION COUNCIL, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 1999

<b>Changes in Unrestricted Net Assets</b>	<b>1999</b>
Revenues	
Grant - Contract Support	\$ 398,001
Local	9,624
<b>Total Unrestricted Revenues</b>	<b>407,625</b>
Expenses	
Program Services	
Salaries and Benefits	237,251
Travel	8,837
Rent	18,000
Client Assistance	84,747
Other Program Expenses	35,995
<b>Total Program Services</b>	<b>384,830</b>
Support Services	
Management and General	55,576
<b>Total Support Services</b>	<b>55,576</b>
<b>Total Expenses</b>	<b>440,406</b>
<b>Decrease in Net Assets</b>	<b>(32,781)</b>
<b>Net Assets at Beginning of Year As Stated</b>	<b>69,154</b>
<b>Net Assets at End of Year</b>	<b>\$ 36,373</b>

The accompanying notes are an integral part of these statements.

**VERNON COMMUNITY ACTION COUNCIL, INC.**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 1999

<b>Cash Flows From Operating Activities</b>	<b>1999</b>
Decrease in net assets	\$ (32,781)
Adjustment to reconcile change in net assets to net cash used by operating activities	
Depreciation	1,071
Decrease in grants receivable	11,378
Increase in Accounts Receivable	(1,068)
Decrease in accounts payable and accrued expenses	(6,935)
<b>Net Cash Used by Operating Activities</b>	<b>(28,335)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(28,335)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>18,554</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ (9,781)</b>

The accompanying notes are an integral part of these statements.

VERNON COMMUNITY ACTION COUNCIL, INC.  
Leesville, Louisiana  
Notes to Financial Statements  
For the Year ended December 31, 1999

**Note 1 - Summary of Significant Accounting Policies**

(a) Nature of Activities

Vernon Community action Council, Inc. is a nonprofit corporation incorporated to strengthen and preserve the dignity and economic mix of the parish. The work of the corporation significantly affects three levels of community life: helping individuals and families with housing, social service, developing new programs in cooperation with other local organizations to meet pressing community needs, and serving as an advocate for women and children and protection of the neighborhood environment.

(b) Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

(c) Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(d) Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted highly liquid investment with an initial maturity of three months or less to be cash equivalents.

(e) Concentration of Revenue/Support

The Organization receives approximately 98% of its annual revenue and support from Federal and State Grants.

(f) Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets 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 restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

(g) Donated Services

No amounts have been reflected in the financial statements for donated services. The Organization pays for services requiring specific expertise.

(h) Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

(j) Income Tax Status

The Vernon Community action Council, Inc. is exempt from federal income tax under Section 501(e)(3) of the Internal Revenue Code. However, income, if any, from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualified for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

(j) Property and Equipment

All acquisitions of property and equipment in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets generally as follows:

Furniture and Equipment	5 years
Vehicles	3 years
Buildings	27 years

**Note 2 - Credit**

Line of Credit

The Organization has a line of credit at the Sabine State Bank in the amount of \$20,000. The balance at December 31, 1999 is \$19,885. Interest must be paid monthly.

**Note 3 - Property and Equipment**

Property and equipment consists of the following:

Land	\$ 4,000
Buildings	39,000
Equipment	<u>52,574</u>
	95,574
Less: Accumulated depreciation	<u>69,516</u>
	<u>\$26,058</u>

**Note 4 - Related Party Transaction**

The Vernon Community Action Council, Inc. is a 50% managing partner of the Vernon Place Apartments Partnership, the Butler Street Estates Partnership, and New Llano Senior Apartments Partnership with Calhoun Property Management, Inc. who is a 50% financial partner. The Vernon Community Action Council, Inc. has a zero equity in the partnerships and Calhoun has stated that they hold the VCAC harmless in losses of the Partnership. The Vernon Community Action Council, Inc. receives a monthly rental fee of \$14 per rented unit per month which is paid by Calhoun. Additionally, the Vernon Community Action Council, Inc. receives a specified developer fee from each project. Previously, the VCAC has received \$27,790 from

Vernon Place and should have Received \$4,509 from the Butler Street Estates Project. The \$4,509 from Butler Street Estates has not been recorded in the Financial Statements. The amount to be received from Calhoun for the New Llano Project has not been recorded in the financial statements primarily because the appropriate amount of the fee has not been determined.

In March 1999 the Council's Executive Director loaned the Council \$3,772 for the purposes of conducting a conference at Cypress Bend Resort. There were no funds to support this conference and repayment of the loan to the Executive Director is being made by way of fund raising activities.

**Note 5 - Grants Receivable**

As the Council incurs expenses for program and administrative purposes, they accrue a receivable and recognize a revenue or support. When the Council is reimbursed by the grantor, the receivable is reversed. In the past, the Council was reimbursed for all accrued expenses. Consequently, no allowance for uncollectible amounts has been established.

**Note 6 - Pension Plans**

The Vernon Community Action Council, Inc. does not have a pension plan for its employees; however, they do participate in the FICA program.

**Note 7 - Compensated Absences**

The Vernon Community Action Council, Inc. allows its personnel to accrue vacation time in accordance with SFAS No. 43; however, the liability is not material. Consequently, no amounts have been accrued in these statements.

**Note 8 - Off-Balance Sheet Risk**

The Vernon community Action Council, Inc. does not engage in off-balance sheet financing as defined in FASB Statement 105.

**Note 9 - Bank Accounts**

In accordance with FASB Statement 105, the Vernon Community Action Council, Inc. maintains all funds in one bank. These funds are secured by the Federal Deposit Insurance Corporation in the amount of \$100,000. The monetary assets of Council does not exceed the insured amount.

**Note 11 - Economic Dependency**

As discussed at Note 1, the Vernon Community Action Council, Inc. receives a substantial amount of its support from the Federal Government. These funds are passed through various Departments of the State of Louisiana and renewal of these grants are subject to approval from year to year. Currently, the Council does not expect a significant reduction in these grants.

**Note 12 - Temporarily and Permanently Restricted Net Assets**

None.

**Note 13 - Contingencies**

On May 4, 1998, the State Inspector General reported that the Vernon Community Action Council, Inc. owed the Vernon Council on Aging, Inc. a total of \$29,110 in back rental payments for the period July, 1994 through June, 1997. The Governor's Office of Elderly Affairs had previously made the same allegation.

In April, 1998, the Vernon Community Action Council, Inc. received a firm commitment from the U.S. Department of HUD to finance a Section 811 Housing Project known as the Franklin Street Apartments. This commitment is for the amount of \$595,200 and closure is currently pending. Once the closure is made, the Vernon Community action Council, Inc. is to receive \$67,938 in operating capital for use in the project. However, no amounts have been recorded in the financial statements because of the lack of closure.

The Vernon Community Action Council, Inc. is involved in a dispute with Vernon Council on Aging, Inc. about the amount of back rent that it allegedly owes the Vernon Council on Aging, Inc.

On October 27, 1999 the Vernon Parish Council on Aging, Inc., filed suit in the Thirtieth Judicial District Court, Parish of Vernon. State of Louisiana requesting they be awarded \$29,110 plus interest and attorney's fees.

Management intends to defend the Council against this action and is confident that it will prevail because it intends to show that no liability exists. Consequently, no liability for back rent has been recorded in the financial statements because there is substantial doubt about the legitimacy of the Vernon Council on Aging, Inc.'s assertion.

**Note 14 - Claims**

The Vernon Community Action Council, Inc. was named a Co-Defendant in a Petition for Damages, filed by a former employee alleging unjustified termination of their employment. The former employee prevailed and the Council was required to pay \$5,000 of the award. This \$5,000 represents their deductible on their insurance policy. As of December 31, 1999, the Council has paid \$2,100 of their share. By agreement with their insurance provider, they are paying \$100 per month until paid in full. Future payments are:

2000	\$ 1,200
2001	1,200
2002	<u>500</u>
Total	<u>\$ 2,900</u>

**Note 15 - Review of Council's CSBG Records by State Department of Labor**

During the period of 22 - 24 September 1999, an auditor from the Department of Labor reviewed the Council's CSBG records. Their report alleged a number of discrepancies and questioned cost for Years 1998 and 1999. Management has been advised to appeal the findings based on the premises of materiality, interpretation of the grant provision and mostly judgments is different as they pertain to some of the alleged finding.

## **Other Information**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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

I have audited the financial statements of Vernon Community Action Council, Inc., (a nonprofit organization) as of and for the year ended December 31, 1999, and have issued my report thereon dated June 26, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

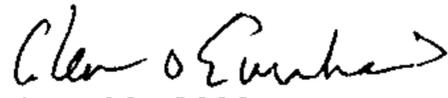
Compliance

As part of obtaining reasonable assurance about whether Vernon Community Action Council, Inc., financial statements are free of material misstatement, I performed tests of its compliance with certain provision of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Vernon Community Action Council, Inc., internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



June 26, 2000

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR 1-133**

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

Compliance

I have audited the compliance of Vernon Community Action Council, Inc., with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 1999. Vernon Community Action Council, Inc., major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Vernon Community Action Council, Inc., management. My responsibility is to express an opinion on Vernon Community Action Council, Inc., compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about Vernon Community Action Council, Inc., compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Vernon Community Action Agency, Inc., compliance with those requirements.

In my opinion, Vernon Community Action Council, Inc., complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999.

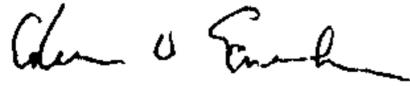
Internal Control Over Compliance

The management of Vernon Community Action Council, Inc., is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Vernon Community Action Council, Inc., internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design

or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



June 26, 2000

**VERNON COMMUNITY ACTION COUNCIL, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
December 31, 1999

<b>Federal Granter/Pass-through Granter/Program Title</b>	<b>Federal CFDA Number</b>	<b>Federal Expenditures</b>
<b>United States Department of Human Services</b>		
Community Services Block Grant - Community Food and Nutrition	93.571	\$ 1,771
Community Development Block Grant	93.569	100,896
LIHEP Emergency Assistance	93.568	55,055
Family Preservation	93.556	16,415
Total Department of Human Services		172,537
United States Department of Energy		
LIHEP Weatherization	81.042	36,848
Federal Emergency Management Agency		
Emergency Food and Shelter	83.523	16,415
United States Department of Housing and Urban Development		
Transitional Housing	14.178	54,039
United States Department of Justice		
Crime Victims Assistance	16.575	18,569
Totals		\$ 298,408

Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ende December 31, 1999

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of Federal Awards includes the federal grant activity of the Vernon Community Action Council, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 1999**

Board of Directors  
Vernon Community Action Council, Inc.  
DeRidder, Louisiana

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting: Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	None reported

Noncompliance material to financial statements noted?	No
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**Federal Awards**

Internal Control over major programs: Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	None reported

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	No
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Identification of major programs:	Community Development Block Grant and LIHEP Emergency Assistance
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Auditee qualified as low-risk auditee?	Yes
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<b>Section II -- Financial Statement Findings</b>	None
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<b>Section III -- Federal Award Findings and Questioned Costs</b>	None
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**GLEEN O. EVERHART**

Certified Public Accountant

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June 26, 2000Board of Directors  
Vernon Community Action Council, Inc.  
Louisville, Louisiana

I have audited the financial statements of the Vernon Community Action Council, Inc., for the year ended December 31, 1999, and have issued my report dated June 26, 2000.

There are three items that was not made a part of my audit report to you. They are:

- 1) Your grant revenue was down from 1998 causing you to have a \$32,781 decrease in net assets. You still have a positive balance in net assets at December 31, 1999; however, if your support does not increase and your expenses increase or remain consistent, you will soon be faced with a negative balance in your net assets account. While I do not feel that you are currently in danger, I feel that the Board should address the problem of decreasing revenue as soon as possible.
- 2) In a letter to your attorney, I requested an evaluation of the proceedings that were filed against your agency by the Vernon Council on Aging, Inc. He has not responded in writing, however, he really has no doubts about the outcome. He feels that you will present a successful defense if it should come to trial.
- 3) At Note 15, of your financial statements is a brief discussion of the Review of your CSBG records conducted by the State Department of Labor. I have reviewed your CSBG contract, considered the Auditor's report and can say that I do not fully agree with her findings. I have the following questions:
  - A) Are the amounts listed as questioned costs really material;
  - B) Because much of the discussion and question costs appears to be based on the individual auditor's interpretation, will they withstand a strong challenge on your behalf; and,
  - C) While the conclusions reached are, as they should be, based on individual judgments, would the judgments of this auditor be just as valid?

In answer to the above questions, I will say that in my opinion, the amounts are not necessarily material, at the financial statement level. Furthermore, based on my findings, that the auditor relied heavily on her interpretation of the CSBG requirements. While I would expect to find that she relied on her interpretation of the CSBG requirements, those interpretations can be disputed. Lastly, the auditor correctly used her own judgments in this matter; however, my judgment of the same fact causes me to disagree with her findings. I recommend therefore, that you appeal her findings.

*Gleen O Everhart*