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VERNON COMMUNITY ACTION COUNCIL, INC.
LEESVILLE, LOUISIANA

ANNUAL FINANCIAL REPORT
For the Year Ended December 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-14-99

Receipt Acknowledged
Legislative Auditor

By

L. Lavigne

VERNON COMMUNITY ACTION COUNCIL, INC.
LEESVILLE, LOUISIANA
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Gleen O. Everhart

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Independent Auditor's Report

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

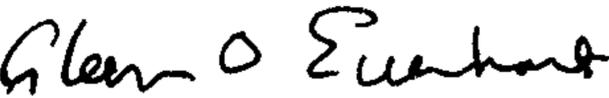
I have audited the accompanying statement of financial position of Vernon Community Action Council, Inc. (a nonprofit organization) as of December 31, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Vernon Community Action Council, Inc.. management. 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, 1998, 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 25, 1999, on my consideration of Vernon Community Action Council, Inc.'s 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


June 25, 1999

VERNON COMMUNITY ACTION COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 1998

	1998
Assets	
Current Assets	
Cash and cash equivalents	\$ 18,554
Grants Receivable (Net)	76,330
Accounts Receivable (Net)	215
Total Current Assets	95,099
Noncurrent assets	
Fixed Assets - At cost (Net of accumulated depreciation of \$68,443)	27,131
Total Noncurrent Assets	27,131
Total Assets	\$ 122,230
 Liabilities and Net Assets	
Current Liabilities	
Note payable	19,885
Accounts payable and accrued expenses	25,731
Accrued vacation pay	4,467
Due to funding agency	2,993
Total Current Liabilities/Total Liabilities	53,076
Net assets	
Unrestricted Net Assets	69,154
Total Unrestricted Net Assets/Total Net Assets	69,154
Total Liabilities and Net Assets	\$ 122,230

The accompanying notes are an integral part of these statements.

VERNON COMMUNITY ACTION COUNCIL, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 1998

Changes in Unrestricted Net Assets	<u>1998</u>
Revenues	
Grant - Contract Support	\$ 476,002
Local	21,063
Contributions	3,997
Help Line	<u>2,798</u>
Total Unrestricted Revenues	<u>503,860</u>
Expenses	
Program Services	
Salaries and Benefits	257,248
Travel	8,561
Rent	20,500
Client Assistance	137,270
Architect Fees - Section 811	<u>1,589</u>
Total Program Services	<u>425,168</u>
Support Services	
Management and General	<u>77,006</u>
Total Support Services	<u>77,006</u>
Total Expenses	<u>502,174</u>
Increase in Net Assets	<u>1,686</u>
Net Assets at Beginning of Year	<u>67,468</u>
Net Assets at End of Year	<u><u>\$ 69,154</u></u>

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, 1998

Cash Flows From Operating Activities	<u>1998</u>
Increase in net assets	\$ 1,686
Adjustment to reconcile change in net assets to net cash used by operating activities	
Depreciation	9,239
Increase in grants receivable	(22,221)
Increase in Accounts receivable	(215)
Increase in accounts payable and accrued expenses	13,700
Decrease in due to funding agency	<u>(4,381)</u>
Net cash used by operating activities	<u>(2,192)</u>
 Cash Flows From Financing Activities	
Loan Proceeds	19,885
Payment of Loan	<u>(10,000)</u>
Net cash provided by financial activities	<u>9,885</u>
 Cash Flows From Investing Activities	
Acquisition of Fixed Assets	<u>(1,791)</u>
Net Cash Used in Investing Activities	<u>(1,791)</u>
Net cash used by Investing Activities	<u>(1,791)</u>
 Net Increase in Cash and Cash Equivalents	5,902
 Cash and Cash Equivalents at Beginning of Year	<u>12,652</u>
 Cash and Cash Equivalents at End of Year	<u><u>\$ 18,554</u></u>

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, 1998

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 services; and 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 recommendations of the Financial Accounting Standards Board in its Statements 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 investments with an initial maturity of three months or less to be cash equivalents.

[e] Concentration of Revenue/Support

The Organization receives approximately 74% 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.

[I] Income Tax Status

The Vernon Community Action Council, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Service 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 qualifies 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 - COMMITMENTS

On July 16, 1996, the Organization entered into an agreement to lease Lots 1 and 4 of Block 4, Old Survey of Leesville, Louisiana. The primary term of the lease is 48 months commencing July 1, 1995 and ending the last day of June, 1999, monthly rental fees of \$300 per month. Further, the lease agreement grants the Lessee the exclusive right, privilege, or option to extend the lease for an additional term of 24 months which would extend the term of the lease to the last day of June, 2001.

Lessee shall notify the Lessor in writing 30 days prior to the expiration of the primary term of the lease of Lessee's intentions to renew and extend for a new term of an additional 24 months at a rental value of \$275 per month.

Future minimum lease payment under operating leases that have remaining terms in excess of one year as of December 31, 1998 are:

Years Ending December 31:

1999	<u>\$1,800</u>
Total Minimum lease payment	<u>\$1,800</u>

Note 3 - DEBT

Note Payable

The Organization has a line of credit at the Sabine State Bank in the amount of \$20,000. The balance at December 31, 1998 \$19,885. Interest must be paid monthly.

Note 4 - PROPERTY AND EQUIPMENT

Property and equipment consisting of the following:

Land	\$ 4,000
Buildings	39,000
Equipment	<u>52,574</u>
	95,574
Accumulated Depreciation	<u>68,443</u>
	<u>\$27,131</u>

Note 5 - 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 \$15 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.

Note 6 - GRANTS RECEIVABLE

As the Council incurs expenses for grant purposes they accrue a receivable. Those expenses are subsequently paid by the grantor. Consequently, no allowance for uncollectible amounts has been established because any amount unreimbursed should not be material.

Note 7 - 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 8 - COMPENSATED ABSENCES

The Vernon Community Action Council, Inc. accrues a liability for vacation pay in accordance with SFAS No. 43..

Note 9 - OFF-BALANCE SHEET RISK

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

Note 10 - 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 Vernon Community Action Council, Inc. does not exceed the insured amount.

Note 11 - ECONOMIC DEPENDENCY

The Vernon Community Action Council, Inc. receives a substantial amount of its support from the Federal Government. Renewal of these grants are subject to approval from year to year.

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. Both parties involved have engaged legal counsel. The Vernon Community Action Council, Inc. believes that it is justified in asserting that they have no liability for past rent and will defend their position to the fullest. 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, 1998 the Council had paid \$900 of their share and \$4,100 remains to be paid. By agreement with their insurance provider, they are paying \$100 per month until paid in full. Future payments are:

1999	\$1,200
2000	1,200
2001	1,200
2002	<u>500</u>
Total	<u>\$4,100</u>

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, 1998, and have issued my report thereon dated June 25, 1999. 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.'s financial statements are free of material misstatement, I performed test 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 my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planing and performing my audit, I considered Vernon Community Action Council, Inc.'s 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.

Alan O. Everhart
June 25, 1999

Gleen O. Everhart

Certified Public Accountant

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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, 1998. Vernon Community Action Council, Inc.'s 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.'s management. My responsibility is to express an opinion on Vernon Community Action Council, Inc.'s 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.'s 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 Council, Inc.'s 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, 1998.

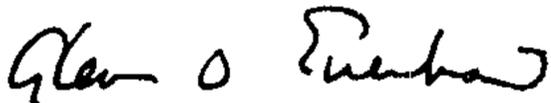
Internal Control Over Compliance

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 perform my audit, I considered Vernon Community Action Council, Inc.'s 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 that risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that 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 25, 1999

VERNON COMMUNITY ACTION COUNCIL, INC.
SCHEDULE OF FEDERAL AWARDS
For the Year Ended December 31, 1998

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
United States Department of Human Services			
Community Services BlockGrant - Community Food and Nutrituion	93.571	N/A	\$ 1,235
Community Development Block Grant**	93.569	N/A	115,300
LIHEP Emergency Assistance**	93.568	N/A	113,439
Family Preservation	93.556	N/A	6,219
Total Department of Human Services			<u>236,193</u>
 United States Department of Energy			
LIHEP Weatherization	81.042	N/A	<u>90,839</u>
 Federal Emergency Management Agency			
Emergency Food and Shelter	83.523	N/A	<u>6,334</u>
 U. S. Department of Housing and Urban Development			
Transitional Housing	14.178	N/A	8,432
Section 811 Supportive Housing*	14.181	N/A	625
Total U.S. Department of Housing and Urban Development			<u>9,057</u>
 U. S. Department of Justice			
Crime Victims Assistance	16.575	N/A	<u>32,708</u>
Total			<u>\$ 375,131</u>

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 1998

Note 1 - Basis 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.

* Expenditures for Section 811 Housing are being made for services that must be rendered prior to the Grant's approval.

**The notes major program

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended December 31, 1998

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

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
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section .510(a)?	No
Identification of major programs:	CDBG & LIHEP Emergency
Auditee qualified as low-risk auditee?	Yes
Section II -- Financial Statement Findings	No

Section III -- Federal Award Findings and Questioned Costs

No

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 1998

Finding # 1:

Resolved.

Finding # 2:

Resolved.

Finding # 3:

Resolved

Finding #4:

Resolved

Finding #5

Resolved

Finding #6

Resolved

Finding #7

Resolved