

VERNON COMMUNITY ACTION COUNCIL, INC.
Leesville, Louisiana

Financial Statements
December 31, 2020

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Broussard & Company
Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Vernon Community Action Council, Inc. (the Council) (a non-profit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows, and functional expenses 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 entity 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 a 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.

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.

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 16 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 16. 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 22, 2021

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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, which were agreed to by the management of Vernon Community Action Council, Inc. (the Council), the Louisiana Legislative Auditor, on Vernon Community Action Council, Inc.'s compliance with certain laws and regulations contained in the accompanying Louisiana Attestation Questionnaire during the year ended December 31, 2020, as required by Louisiana Revised Statute 24:513 and the *Louisiana Governmental Audit Guide*. Management of Vernon Community Action Council, Inc. is responsible for its financial records and compliance with applicable laws and regulations. The sufficiency of these procedures is solely the responsibility of the specified parties. Consequently, we make no representations regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

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.

Vernon Community Action Council, Inc. provided us with the following list of expenditures made for federal grant awards received during the fiscal year ended December 31, 2020.

Federal, State or Local Grant Name	Grant Year	CFDA No. (if applicable)	Amount
Community Services Block Grant (CSBG)	2019-2020	93.569	\$ 79,504
Low Income Home Energy Assistance (LIHEAP)	2020	93.568	23,648
Emergency Shelter Grants Program (ESG)	2020	14.231	12,142
Total Expenditures			\$ 115,294

The Agency represented that they received no state or local government grant awards during the fiscal year ended December 31, 2020.

2. For each federal, state and local grant award, randomly select six disbursements from each grant administered during the fiscal year, provide 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 Agency's policies and procedures.
 - Inspection of documentation supporting each of the disbursements selected indicated approvals from 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.

All applicable disbursements selected complied with the above requirements.

Activities allowed or unallowed

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

Eligibility

We compared documentation for each of the selected disbursements with program compliance requirements related to services allowed or not allowed. 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 Agency's financial records. The amounts reported on the close-out reports agreed to the Agency'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.
 - We examined evidence indicating that 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 agency 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.
 - Vernon Community Action Council, Inc. provided comprehensive budgets to the applicable state grantor agencies for the programs mentioned previously. These budgets specified the anticipated uses of the funds, estimates of the duration of the projects and plans showing specific goals and objectives that included measures of performance.

State Audit Law

10. The review report was issued within six months of the close of the December 31, 2020 fiscal year-end. This is in violation of R.S. 24:513 (A)(5).
 - The review report was issued on June 22, 2021. 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 public bid law (R.S. 38:2211, et seq.), while the agency was not in compliance with R.S. 24:513 (the audit law).
 - Vernon Community Action Council, Inc.'s management represented that the Agency did not enter into any contracts during the fiscal year that were subject to public bid law.

Prior Comments and Recommendations

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 in the prior year review for the year ended December 31, 2019. However, there was a going concern emphasis of matter paragraph added to the review report due to the Council's prior year significant payroll tax and withholdings liability. The Council did not make its 2020 federal and state payroll withholdings and taxes until 2021. This was due to the COVID pandemic and the death of the Council's Executive Director. Based on this, the going concern emphasis of matter paragraph will remain on the review report.

This agreed-upon procedures engagement was conducted 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, the objective of which would be the expression of an opinion or conclusion, respectively, on the Agency'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.

The purpose of this report is solely to describe the scope of testing performed on the Agency'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 22, 2021

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Governmental Agencies)

04-29-2021 (Date Transmitted)

Broussard and Company, CPAs LLC (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 04-29-2021 (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.

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes No

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes No

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes No

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes No

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes No

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes No

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

Yes No

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

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

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.
Yes [] No []

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements, without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes [] No []

Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes [] No []

Prior-Year Comments

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

Yes [] No []

General

We are responsible for our compliance with the foregoing laws and regulations and the internal controls over compliance with such laws and regulations.

Yes [] No []

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

Yes [] No []

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 []

We have made available to you all records that we believe are relevant to the foregoing agreed-upon procedures.

Yes [] No []

We have provided you with any communications from regulatory agencies, internal auditors, other independent practitioners or consultants or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of your report.

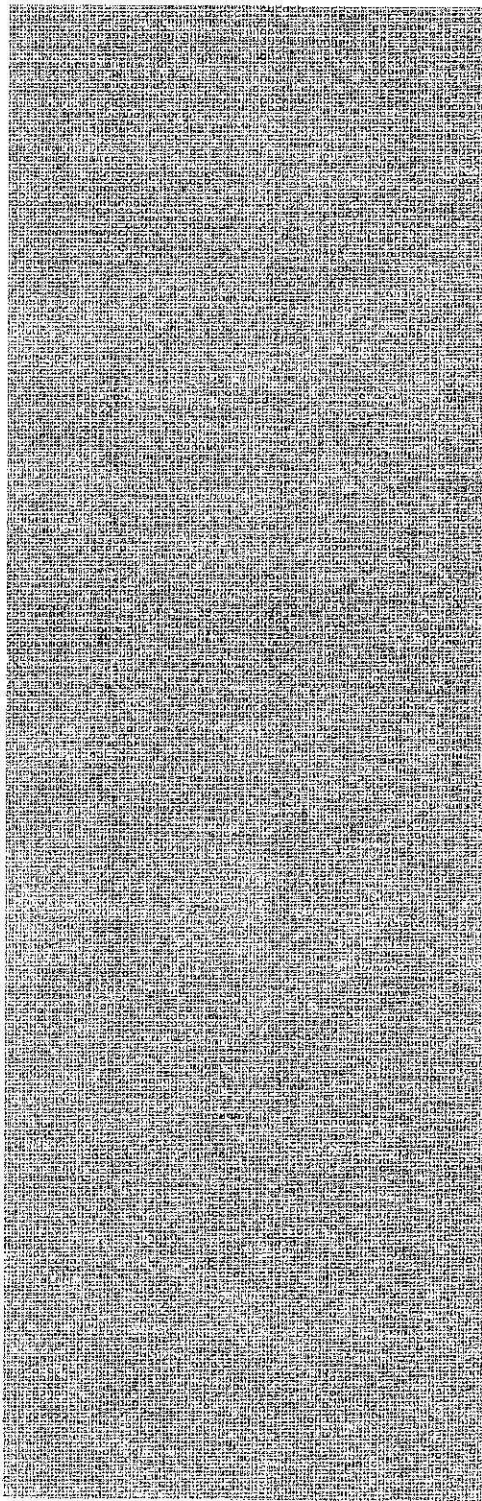
Yes [] No []

We will disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

Yes [] No []

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

Nancy Blelock Secretary 5/20/21 Date
Pauline D Laverack Treasurer 5/20/21 Date
Matthew President 5/20/21 Date



VERNON COMMUNITY ACTION COUNCIL, INC.
Statement of Financial Position
As of December 31, 2020

Assets

Current Assets:	
Cash	\$ 43,228
Grant receivables	53,081
Land held for sale	60,000
Prepaid insurance	<u>2,205</u>
Total Current Assets	<u>158,514</u>
Noncurrent Assets:	
Fixed assets	334,441
Accumulated depreciation	<u>(146,976)</u>
Total Noncurrent Assets	<u>187,465</u>
Total Assets	<u><u>\$ 345,979</u></u>

Liabilities and Net Assets

Current Liabilities:	
Accounts payable	\$ 27,924
Accrued liabilities	123,371
Note payable, current portion	<u>6,174</u>
Total Current Liabilities	<u>157,469</u>
Long-term Liabilities	
Note payable, net of current portion	<u>22,589</u>
Total Liabilities	<u>180,058</u>
Net Assets	
Without donor restrictions	<u>165,921</u>
Total Net Assets	<u>165,921</u>
Total Liabilities and Net Assets	<u><u>\$ 345,979</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, 2020

Changes in Net Assets Without Donor Restrictions:

Revenue, Gains and Other Support

Governmental Grants	\$ 134,314
Miscellaneous Revenues	163,854
	163,854

Total Revenues, Gains and Other Support Without Donor Restrictions	298,168
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Expenses

Local	48,668
ESG	12,142
Charitable Gaming	73,913
CSBG	79,504
LIHEAP	23,648
	23,648

Total Expenses	237,875
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Increase in Net Assets Without Donor Restrictions	60,293
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Net Assets Without Donor Restrictions, Beginning of Period	105,628
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Net Assets Without Donor Restrictions, End of Period	\$ 165,921
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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, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from supporters, grants, programs, fees	\$ 275,691
Cash paid to employees, suppliers, and for programs	<u>(232,740)</u>
Net Cash Provided (Used) by Operating Activities	<u>42,951</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments on note payable	<u>(5,680)</u>
Net Cash Provided (Used) by Financing Activities	<u>(5,680)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	37,271
CASH AT BEGINNING OF YEAR	<u>5,957</u>
CASH AT END OF YEAR	<u><u>\$ 43,228</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	60,293
Adjustments to reconcile changes in excess of revenue and support over expenses to net cash provided by operating activities:	
Depreciation	-
(Increase) decrease in receivables and prepaid expenses	(17,887)
Increase (decrease) in accounts payable and payroll liabilities	<u>545</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 42,951</u></u>

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, 2020

	Local	ESG	Charitable Gaming	CSBG	LIHEAP	TOTAL
Salaries	\$ 29,837	\$ 7,250	\$ 865	\$ 49,480	\$ 11,755	\$ 99,187
Payroll taxes and withholdings	5,957	565	-	3,744	898	11,164
Insurance	-	164	-	9,608	4,445	14,217
Utility assistance	-	-	-	-	-	-
Operations	173	-	22,541	-	-	22,714
Professional fees/contracts	5,015	-	375	175	-	5,565
Miscellaneous	7,056	833	1,500	2,986	-	12,375
Rent	201	-	47,645	4,541	2,266	54,653
Repairs and maintenance	-	-	-	-	-	-
Seminars and workshops	-	-	-	1,000	-	1,000
Supplies and materials	192	91	987	1,537	838	3,645
Travel	-	-	-	454	-	454
Utilities	237	3,239	-	5,979	3,446	12,901
Total Expenses	<u>\$ 48,668</u>	<u>\$ 12,142</u>	<u>\$ 73,913</u>	<u>\$ 79,504</u>	<u>\$ 23,648</u>	<u>\$ 237,875</u>

The accompanying notes are an integral part of this statement

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements
December 31, 2020

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 form 2017 through 2020. The Internal Revenue Service audited the Council's 2013 Form 990 and assessed approximately \$11,000 in taxes and unrelated business income. The Council has not agreed with this position.

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, 2020:

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.

Emergency Shelter Grants Program (ESG) Program is designed to help improve the quality of existing emergency shelters for the homeless individuals and families, make available additional emergency shelters, and meet the costs of operating emergency shelters and of providing essential social services to homeless individual and families.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements (Continued)
December 31, 2020

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 (Continued)
December 31, 2020

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 \$1,650 as of December 31, 2020.

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, 2020 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 (Continued)
December 31, 2020

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 the majority of its revenue from funds provided through grants. The grant amounts are appropriated each year by the Federal and State governments. The significant budget cuts are made at the Federal and/or State level, the amount of funds the association 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, 2020 consisted of the following:

ESG	\$ 3,469
CSBG	43,202
LIHEAP	<u>6,410</u>
	<u>\$ 53,081</u>

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements (Continued)
December 31, 2020

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
Vehicles		60,422
Less: Accumulated depreciation		<u>(146,976)</u>
	<u>\$</u>	<u>187,465</u>

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, 2020.

Land donated in previous years is currently on the market to be sold. The donated appraised value of the land was \$60,000.

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 (Continued)
December 31, 2020

Note 9 - Note Payable

The Council has an obligation to a bank bearing interest of 6.5%. The loan is payable in monthly installments of \$653, including interest, and is secured by real estate. The loan matures in 2023.

Loan maturities for each of the four years following December 31, 2020:

2021	6,174
2022	6,582
2023	<u>16,007</u>
Total	<u>\$ 28,763</u>

Note 10 - 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 \$90,135 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$43,228 and grant receivables of \$53,081. The financial assets are subject to contractual restrictions involving the current portion of the note payable in the amount of \$6,174 that make them unavailable for general expenditure within one year of the balance sheet date. 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.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements (Continued)
December 31, 2020

*Note 11 - **Building Lease***

The Council previously entered into a lease of a building for a period of three years with an effective date of April 2016. The lease amount was \$1,100 per month with an option to renew for three years at \$1,100 per month. The Board did not renew the lease in 2020 and are currently on a month-to-month payment arrangement. Future minimum lease payments at December 31, 2020 are \$-0-.

*Note 12 - **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, the first day of the Council’s fiscal year, using the full retrospective method.

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.

VERNON COMMUNITY ACTION COUNCIL, INC.
Notes to Financial Statements (Continued)
December 31, 2020

Note 13 - 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, 2020:

	<u>Governmental Grants</u>	<u>Other Revenue</u>	<u>Total</u>
Performance obligations satisfied at a point in time	\$ -	\$ -	\$ -
Performance obligations satisfied over time	134,314	163,854	298,168
	<u>\$ 134,314</u>	<u>\$ 163,854</u>	<u>\$ 298,168</u>

Note 14 - 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, 2020:

	<u>2020</u>
Contract assets	\$ -
Contract liabilities	-

Note 15 - Subsequent Events

The Council evaluated its December 31, 2020 financial statements for subsequent events through June 22, 2021, 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 16 - Going Concern

As shown in the accompanying financial statements, the Council's current liabilities include past federal and state payroll taxes of \$98,845. 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 and state tax authorities and sale of assets. The ability of the Council to continue as a going concern and meet its obligations as they become due is dependent on acceptance of the plan by federal and state tax authorities and 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, 2020

Agency Head Name: Courtney Cox, Executive Director

Purpose	Amount
Salary	\$ 28,800
Benefits-insurance	
Benefits-retirement	
Benefits (other)	
Car allowance	
Reimbursements (meals)	\$ 121
Travel	\$ 104
Registration fees	\$ 200
Conference travel (air fare)	
Housing/Hotel	\$ 200