

**Southeast Coastal Ocean
Observing Regional Association**

Report on Financial Statements

For the years ended June 30, 2021 and 2020

Southeast Coastal Ocean Observing Regional Association

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Independent Auditor's Report

To the Board of Directors
Southeast Coastal Ocean Observing Regional Association
Charleston, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of Southeast Coastal Ocean Observing Regional Association ("SECOORA") which comprise the statements of financial position as of June 30, 2021 and 2020, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Coastal Ocean Observing Regional Association as of June 30, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2021, on our consideration of Southeast Coastal Ocean Observing Regional Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Coastal Ocean Observing Regional Association's internal control over financial reporting and compliance.



Charleston, South Carolina
November 10, 2021

Southeast Coastal Ocean Observing Regional Association

Statements of Financial Position

As of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 392,336	\$ 386,095
Grants receivable	1,145,977	631,624
Prepaid expenses and other assets	12,607	24,516
Property and equipment, net	364,690	319,929
Total assets	<u>\$ 1,915,610</u>	<u>\$ 1,362,164</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,050,832	\$ 573,516
Accrued payroll, vacation, and taxes	38,740	37,173
Deferred revenue	8,000	10,250
Total liabilities	<u>1,097,572</u>	<u>620,939</u>
Net assets		
Without donor restrictions		
Undesignated	765,255	682,282
Designated by the board	26,636	26,636
With donor restrictions	26,147	32,307
Total net assets	<u>818,038</u>	<u>741,225</u>
Total liabilities and net assets	<u>\$ 1,915,610</u>	<u>\$ 1,362,164</u>

See Notes to Financial Statements

Southeast Coastal Ocean Observing Regional Association

Statements of Activities

For the years ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Grant revenue	\$ -	\$ 4,855,482	\$ 4,855,482	\$ -	\$ 3,821,806	\$ 3,821,806
Membership dues	38,000	-	38,000	37,000	-	37,000
In-kind donations-facilities	8,732	-	8,732	5,280	-	5,280
Restricted contributions	-	-	-	-	5,293	5,293
Loss on disposal of property and equipment	(62,907)	-	(62,907)	-	-	-
Miscellaneous income	1,420	-	1,420	11,792	-	11,792
Subtotal	(14,755)	4,855,482	4,840,727	54,072	3,827,099	3,881,171
Net assets released from program restrictions	4,861,642	(4,861,642)	-	3,828,027	(3,828,027)	-
Total support and revenue	4,846,887	(6,160)	4,840,727	3,882,099	(928)	3,881,171
Expenses						
Program services	4,599,737	-	4,599,737	3,681,362	-	3,681,362
Supporting services:						
Management and general	157,658	-	157,658	188,719	-	188,719
Fundraising	6,519	-	6,519	5,701	-	5,701
Total expenses	4,763,914	-	4,763,914	3,875,782	-	3,875,782
Increase (decrease) in net assets	82,973	(6,160)	76,813	6,317	(928)	5,389
Net assets, beginning of year	708,918	32,307	741,225	702,601	33,235	735,836
Net assets, end of year	\$ 791,891	\$ 26,147	\$ 818,038	\$ 708,918	\$ 32,307	\$ 741,225

See Notes to Financial Statements

Southeast Coastal Ocean Observing Regional Association

Statements of Cash Flows

For the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating activities		
Increase in net assets	\$ 76,813	\$ 5,389
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	31,561	40,940
Loss on disposal of property and equipment	62,907	-
Change in accrued and deferred amounts:		
Grants receivable	(514,353)	(338,926)
Prepaid expenses and other assets	11,909	(17,550)
Accounts payable	477,316	325,488
Accrued payroll, vacation, and taxes	1,567	3,546
Deferred revenue	(2,250)	3,250
Net cash provided by operating activities	<u>145,470</u>	<u>22,137</u>
Investing activities		
Purchases of property and equipment	(139,229)	-
Net cash used for investing activities	<u>(139,229)</u>	<u>-</u>
Net increase in cash and cash equivalents	6,241	22,137
Cash and cash equivalents, beginning of year	386,095	363,958
Cash and cash equivalents, end of year	<u>\$ 392,336</u>	<u>\$ 386,095</u>
Noncash activity		
In-kind donations-facilities	<u>\$ 8,732</u>	<u>\$ 5,280</u>

See Notes to Financial Statements

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2021 and 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of activities:

Southeast Coastal Ocean Observing Regional Association (“SECOORA”) is a non-profit organization dedicated to coordinating coastal and ocean observing activities and facilitating continuous dialogue among stakeholders so that the benefits from the sustained operation of a coastal and ocean observing system can be realized. SECOORA is one of eleven (11) regional associations within the Integrated Coastal Ocean Observation System (“ICOOS”), a multidisciplinary network designed to provide data required by decision makers. SECOORA is also a member of the Integrated Ocean Observing System Association, working along with ten (10) other Regional Associations (RA’s) to assure the needs and positions of on-the-ground users in the regions are adequately reflected in national policy and priority setting. SECOORA was incorporated under the laws of South Carolina in September 2007. SECOORA is supported primarily through memberships and grants.

Basis of accounting:

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

Basis of presentation:

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-restrictions. Accordingly, net assets of SECOORA and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of SECOORA’s management and the board of directors.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of SECOORA or by the passage of time (that is, when a stipulated time restriction ends or purpose restriction is accomplished). Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. SECOORA had no net assets with permanent donor restrictions at June 30, 2021 or 2020.

Revenue recognition:

Revenue is recognized upon the transfer of control of promised goods or services to customers in an amount that reflects the consideration SECOORA expects to receive in exchange for those products or services. Contracts are analyzed with the following steps: (i) identify the contract with the customer; (ii) determine whether the promised goods or services are separate performance obligations in the contract; (iii) determine the transaction price, including considering the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract based on the standalone selling price or estimated standalone selling price of the good or service; and (v) recognize revenue when (or as) each performance obligation is satisfied.

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2021 and 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

Revenue recognition, continued:

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. Revenue is allocated to each performance obligation as the related performance obligation is satisfied as discussed below.

Revenue from grants may be recognized either when a grant is received and available for immediate use or on a reimbursement basis. Reimbursement grants are recognized when expenses have been incurred and a reimbursement request has been prepared for the granting agency. Advances received from granting agencies before projects or services start or which have a finite time period are included in deferred revenue until earned.

Grant and donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the restriction purpose is accomplished), net assets with donor restrictions are reclassified to net asset without donor restrictions and reported in the Statements of Activities as net assets released from restriction.

Membership dues are recognized as revenue over the periods to which the dues relate and are recorded as increases in net assets without donor restrictions. Membership dues received in advance are included in deferred revenue.

Cash and cash equivalents:

For purposes of the Statements of Cash Flows, SECOORA considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Grants receivable and allowance for doubtful accounts:

Grants receivable represents outstanding balances for reimbursed expenditures due from granting agencies which are recorded when expenses have been paid and a reimbursement request has been sent to the granting agency.

Management periodically evaluates receivables for collectability based on prior collection experience. An allowance for doubtful accounts is established as estimated by management through recognition of bad debt expense. When management confirms a grant receivable cannot be collected, such amount is charged off against the allowance for doubtful accounts. Based on management's evaluation of grants receivable, there was no allowance for doubtful accounts at June 30, 2021 or 2020.

Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2021 and 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

Property and equipment:

SECOORA capitalizes expenditures in excess of \$5,000 for property and equipment with an extended useful life. Property and equipment are recorded at cost, or if donated, at fair market value on the date received. Major improvements are capitalized and depreciated; maintenance and repairs which do not significantly improve or extend the useful life of respective assets are expensed. Upon sale or retirement, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in income. Depreciation is calculated using the straight-line method based on the estimated useful lives of the assets, ranging from 8 to 10 years.

Donated facilities, materials and services:

Donated facilities and materials are included as in-kind donations at their estimated fair value at the date of donation. SECOORA received \$3,732 and \$5,280 in consideration classified as donated facilities during the years ended June 30, 2021 and 2020, respectively. In addition, SECOORA received \$5,000 in consideration as software with a purchased piece of equipment during the year ended June 30, 2021.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by SECOORA. SECOORA benefits from the work of many volunteers, but their services did not meet the required criteria to be recorded for the years ended June 30, 2021 or 2020.

Accrued payroll, vacation, and taxes:

Regular full-time employees accrue vacation beginning on their hire date. Full-time employees earn 15 days of annual vacation leave for the first 5 years of service. After 5 years of service with SECOORA, employees will earn annual leave at a higher rate, which increases incrementally by 1.25 days each year up to 20 years of service. No more than 45 vacation days can be carried over from one calendar year to the next. SECOORA's policy for paying accrued absences is to pay up to 45 days of the employee's unused vacation upon termination if the employee is in good standing at the date of termination. These amounts total \$38,740 and \$37,173 as of June 30, 2021 and 2020, respectively, and are included in accrued payroll, vacation, and taxes on the Statements of Financial Position.

Income tax status:

SECOORA is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, SECOORA qualifies for the charitable contribution deduction under Section 170 (b)(1)(A) and has been classified as an organization other than a private foundation under Section 509 (a)(2).

Management has evaluated SECOORA's tax positions and concluded that SECOORA has taken no uncertain tax positions that require adjustment to the financial statements as of and for the years ended June 30, 2021 or 2020. SECOORA's policy is to report accrued interest related to unrecognized tax benefits, when applicable, as interest expense and to report penalties as other expense. With few exceptions, SECOORA is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for fiscal years ended before June 30, 2018.

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2021 and 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

Availability of funds for general expenditures:

SECOORA has certain net assets that are available for general expenditures within one year of June 30, 2021 and 2020 based on conducting the normal activities of its programs in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year (See Note 2).

Expense allocation:

The costs of providing various programs and activities have been summarized on a functional basis in the Statements of Activities and in Note 8. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses of SECOORA include:

Program services expenses - Program expenses include direct and allocated costs to coordinating coastal and ocean observing activities.

Management and general expenses - Management and general expenses include the general, administrative, and operating costs of SECOORA.

Fundraising expenses - These expenses include direct and indirect activities undertaken to solicit contributions from donors.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated and the method of allocation include:

<u>Expense Type</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee benefits and taxes	Time and effort
Contract Services – Other	Direct costs to programs; remaining to management/general
Office expenses	Direct costs to programs, management/general, and fundraising
Telephone	Direct costs to programs, management/general, and fundraising
Contract services – Website	Direct costs to programs; remaining to management/general

Risks and uncertainties:

The 2019 novel coronavirus (or “COVID-19”) has adversely affected, and may continue to adversely affect economic activity globally, nationally and locally. It is unknown the extent to which COVID-19 may spread, may have a destabilizing effect on financial and economic activity and may increasingly have the potential to negatively impact SECOORA, its subrecipients’ operations, and the U.S. economy. The extent of the adverse impact of the COVID-19 outbreak on SECOORA cannot be predicted at this time.

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2021 and 2020

Note 1. Nature of Activities and Summary of Significant Accounting Policies, Continued

Recently issued and adopted accounting pronouncements:

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, an update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. SECOORA adopted this standard on July 1, 2020. The new standard did not have an impact on SECOORA's financial statements.

In June 2018, the GASB issued Statement No. 87, *Leases*, ("GASB 87") which provides guidance for lease contracts for nonfinancial assets, including vehicles, heavy equipment, and buildings but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). Under the new standard, a lessee entity is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset. The provisions and amendments of GASB 87 are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged. SECOORA is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies are not expected to have a material impact on the SECOORA's net assets or changes in net assets.

Subsequent events:

In preparing these financial statements, SECOORA has evaluated events and transactions for potential recognition or disclosure through November 10, 2021, the date the financial statements were available to be issued.

Note 2. Availability and Liquidity

Financial assets available for general expenditure, that are without donor or other restrictions limiting their use within one year of the Statements of Financial Position date of June 30, 2021 and 2020, are comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Assets at year end	\$ 1,915,610	\$ 1,362,164
Less amounts not available to be used within one year		
Due to illiquidity:		
Prepaid expenses and other assets	(12,607)	(24,516)
Property and equipment, net	<u>(364,690)</u>	<u>(319,929)</u>
	<u>(377,297)</u>	<u>(344,445)</u>
Less amounts not available to be used within one year due to:		
Board/donor designations:		
Restricted and board designated amounts that may not be used within one year – Scholarship/Munson Fund	<u>(50,283)</u>	<u>(55,443)</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 1,488,030</u>	<u>\$ 962,276</u>

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2021 and 2020

Note 2. Availability and Liquidity, Continued

As part of its liquidity plan, SECOORA has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

Note 3. Concentrations

SECOORA maintains its cash in two financial institutions. Cash accounts are guaranteed in aggregate by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. From time to time, cash balances may exceed FDIC insured limits.

SECOORA received approximately 99% and 97% of its total support and revenue through grants received directly from the National Oceanic and Atmospheric Administration ("NOAA") during the years ended June 30, 2021 and 2020, respectively.

At June 30, 2021, grants receivable totaling \$1,145,977 were due from the NOAA and represented 100% of total outstanding grants receivable. At June 30, 2020, grants receivable totaling \$631,624 were due from the NOAA and represented 100% of total outstanding grants receivable. Any loss of this support in future years could have a significant impact on SECOORA's operations.

Note 4. Retirement Plan

SECOORA has implemented a Simplified Employee Pension (SEP) plan for all eligible employees. The plan calls for an employer match of approximately 10% percent of all wages of salaried employees. The employer contributions for the years ended June 30, 2021 and 2020 totaled \$45,047 and \$40,917, respectively.

Note 5. Property and Equipment, Net

Property and equipment, net, consists of the following at June 30:

	<u>2021</u>	<u>2020</u>
Gliders	\$ 221,845	\$ 221,845
High frequency radar (HFR)/WERA equipment	<u>214,250</u>	<u>150,040</u>
	436,095	371,885
Less: accumulated depreciation	<u>(71,405)</u>	<u>(51,956)</u>
Total	<u>\$ 364,690</u>	<u>\$ 319,929</u>

At June 30, 2021 and 2020, depreciation expense was \$31,561 and \$40,940, respectively.

Property and equipment has been acquired with funds from certain grants and federal awards. These grants or federal awards may contain reversionary interests in the assets acquired or may require that the assets be used for a particular purpose for a specific period of time.

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2021 and 2020

Note 6. Net Assets Without Donor Restrictions

At June 30, 2021 and 2020, the board designated a matching \$26,636 to be used for purposes of the Vembu Subramarian Scholarship Fund. The remaining net assets without donor restrictions of \$765,255 and \$682,282, respectively, are undesignated.

Note 7. Net Assets With Donor Restrictions

At June 30, 2021 and 2020, net assets with donor restrictions of \$26,147 and \$32,307, respectively, were available for the following purposes:

	<u>2021</u>	<u>2020</u>
Vembu Subramarian Scholarship Fund	\$ 26,147	\$ 26,147
Munson Fund	-	6,160
Total	<u>\$ 26,147</u>	<u>\$ 32,307</u>

Note 8. Functional Expense Allocation

Management and general expenses include expenses that are not identifiable with any program service but provide for the overall support and direction of SECOORA. Organizational expenses are allocated as follows for the years ended June 30:

	<u>2021</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Subcontract research	\$ 4,064,723	\$ -	\$ -	\$ 4,064,723
Salaries	367,838	87,361	4,598	459,797
Employee benefits and taxes	103,630	17,255	1,851	122,736
Depreciation	31,561	-	-	31,561
Contract services-other	4,187	14,218	-	18,405
Contract services- accounting	-	17,176	-	17,176
Office expenses	7,170	5,142	36	12,348
Dues and subscriptions	10,075	-	-	10,075
Education and outreach	7,530	-	-	7,530
Telephone	2,827	1,334	34	4,195
Supplies	-	3,481	-	3,481
Insurance	-	2,753	-	2,753
Travel-staff	-	2,605	-	2,605
Contract services- communication	-	2,244	-	2,244
Contract services-website	196	1,456	-	1,652
Miscellaneous	-	1,750	-	1,750
Travel-board and committee support	-	883	-	883
Total expenses	<u>\$ 4,599,737</u>	<u>\$ 157,658</u>	<u>\$ 6,519</u>	<u>\$ 4,763,914</u>

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2021 and 2020

Note 8. Functional Expense Allocation, Continued

	2020			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Subcontract research	\$ 3,142,389	\$ -	\$ -	\$ 3,142,389
Salaries	340,965	103,187	4,486	448,638
Employee benefits and taxes	83,063	25,138	1,093	109,294
Travel-staff	30,408	16,347	-	46,755
Depreciation	40,940	-	-	40,940
Contract services-accounting	-	32,402	-	32,402
Contract services-other	19,140	2,324	-	21,464
Dues and subscriptions	10,150	-	-	10,150
Office expenses	7,016	1,129	29	8,174
Telephone	3,268	2,124	54	5,446
Supplies	2,315	1,505	39	3,859
Insurance	-	2,638	-	2,638
Contract services-website	-	1,269	-	1,269
Travel-board and committee support	1,185	-	-	1,185
Contract services-communication	523	131	-	654
Miscellaneous	-	525	-	525
Total expenses	<u>\$ 3,681,362</u>	<u>\$ 188,719</u>	<u>\$ 5,701</u>	<u>\$ 3,875,782</u>

Reporting Under *Government Auditing Standards*



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

To the Board of Directors
Southeast Coastal Ocean Observing Regional Association
Charleston, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southeast Coastal Ocean Observing Regional Association ("SECOORA"), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise SECOORA's basic financial statements, and have issued our report thereon dated November 10, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SECOORA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SECOORA's internal control. Accordingly, we do not express an opinion on the effectiveness of SECOORA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether SECOORA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Charleston, South Carolina
November 10, 2021

Reporting Under Uniform Guidance

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors
Southeast Coastal Ocean Observing Regional Association
Charleston, South Carolina

Report on Compliance for Each Major Federal Program

We have audited Southeast Coastal Ocean Observing Regional Association's ("SECOORA's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of SECOORA's major federal programs for the year ended June 30, 2021. SECOORA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of SECOORA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about SECOORA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of SECOORA's compliance.

Opinion on Each Major Federal Program

In our opinion, SECOORA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of SECOORA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SECOORA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SECOORA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Charleston, South Carolina
November 10, 2021

Southeast Coastal Ocean Observing Regional Association

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title/Project Title	Federal CFDA Number	Award Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Commerce Integrated Ocean Observation System (IOOS) Supporting Resilient Ecosystems, Communities, and Economies	11.012	NA16NOS0120028	N/A	\$ 2,936,045	\$ 3,623,561
U.S. Department of Commerce Webcams for Coastal Observations and Operational Support (WEBCOOS)	11.012	NA16NOS0120028	N/A	141,457	159,683
U.S. Department of Commerce Bipartisan Budget Act of 2018 Hurricane Supplemental Repairs	11.022	NA19NOS0220015	N/A	379,798	479,681
U.S. Department of Commerce Bipartisan Budget Act of 2018 Hurricane Supplemental COMT	11.022	NA19NOS0220002	N/A	263,123	305,389
U.S. Department of Commerce Bipartisan Budget Act of 2018 Hurricane Supplemental Glider	11.022	NA19NOAR0220201	N/A	96,515	111,351
Total U.S. Department of Commerce				<u>3,816,938</u>	<u>4,679,665</u>
Total Federal Expenditures				<u>\$ 3,816,938</u>	<u>\$ 4,679,665</u>

See accompanying notes to Schedule of Expenditures of Federal Awards

Southeast Coastal Ocean Observing Regional Association

Notes to Schedule of Expenditures of Federal Awards

For the year ended June 30, 2021

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of SECOORA under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of SECOORA, it is not intended to and does not represent the financial position, changes in net assets, or cash flows of SECOORA.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

SECOORA was not permitted to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for the current grant period. Subsequent to yearend, SECOORA was eligible to use the new 10% de minimis indirect cost rate when the new grant period began.

Southeast Coastal Ocean Observing Regional Association

Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None identified

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.012	Integrated Ocean Observation System (IOOS)

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Southeast Coastal Ocean Observing Regional Association

Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

Section II – Financial Statements Findings

Finding: 2021-001

Criteria: The acquisition and disposal of the Association’s property and equipment must be recognized in accordance with the Association’s capitalization and fixed asset accounting policies. Initial deposits made on a capital asset acquisition must be capitalized in the year made, regardless of whether payments for the remainder of the acquisition are made in the subsequent fiscal year. The full cost of the equipment acquisition should then be depreciated over the useful life once the equipment is placed into service. The disposal of property and equipment must be recorded in the fiscal year in which the Association determines the capital asset to no longer be in service, whether due to impairment, damage, or retirement.

Condition: In the fiscal year ended June 30, 2019, the Association erroneously expensed an initial deposit made toward an equipment acquisition, which was not fully paid for until the current year or placed into service until a subsequent fiscal year. Therefore, the full cost of the equipment acquisition is not being capitalized. In addition, the Association did not properly dispose of a piece of equipment during the year ended June 30, 2020, at the time it was determined the equipment was no longer in service due to hurricane damage, and instead, the disposal was recorded during the current fiscal year.

Cause: The Association initiated an equipment acquisition toward the end of the fiscal year ended June 30, 2019, at which time an initial deposit was made and erroneously expensed. The remainder of the purchase price was paid during the current fiscal year, and the equipment was capitalized at a cost that excluded the initial deposit. The information concerning the damaged asset was received toward the end of the fiscal year ended June 30, 2020, but the disposal of the asset was not recorded until the year ended June 30, 2021.

Effect or Potential Effect: The initial deposit on the equipment acquisition was not capitalized, therefore, the total cost of the asset capitalized during the year ended June 30, 2021 was understated by \$59,670. The loss on disposal of the damaged equipment in the amount of \$62,907 was improperly recorded during the year ended June 30, 2021 (understating income) instead of being recorded during the year ended June 30, 2020.

Southeast Coastal Ocean Observing Regional Association

Schedule of Findings and Questioned Costs

For the year ended June 30, 2021

Section II – Financial Statements Findings, Continued

Recommendations: If payments made to acquire a piece of property or equipment are made over multiple fiscal years, the amounts should be capitalized when made and the total acquisition cost should be depreciated over the estimated useful life once the asset is placed into service. Once management receives information that an asset has been damaged, the disposal or impairment of that asset should be recorded in the same period.

Views of Responsible Officials and Corrective Action Plan: Management agrees with the finding. Management will ensure that the policies surrounding property and equipment will be applied to future acquisitions and/or disposals. To ensure corrective action for the future, the following plan has been implemented.

Management will code invoices to be processed to ensure clarity for either a deposit or purchase of an asset that SECOORA will keep (insure, depreciate), thereby recording to the appropriate balance sheet asset account(s) instead of as an expense. If over \$5000, invoice will indicate if a pass thru subaward expense (supply vs equipment), or if an asset that SECOORA will keep. If an equipment deposit (or any deposit that spans into a new fiscal year end) is made, the deposit will be coded and posted to the appropriate asset account, and not to an expense account. The deposit will be appropriately reclassified at such time the purchase is completed or deposit is refunded. If any new SECOORA owned asset is purchased, the coding will indicate if the new asset is a replacement, so that the asset it is replacing can be disposed of, and the removal, gain/loss recorded in the books. If the asset is insured, the disposal will reflect any eligible insurance proceeds received and whether a claim was filed, and how settled. SECOORA will periodically check the equipment list/depreciation schedule during the fiscal year among management and staff for review & update, with an additional review in preparation for year end close. Also, management will prepare an internal use equipment memo for each new fixed asset purchase, and update the equipment memo for disposed assets. The equipment memo will indicate pertinent info including asset details, whether insured, estimated useful life, and placed in service date, and date to begin depreciation.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Year Findings

None