

**Southeast Coastal Ocean
Observing Regional Association**

Report on Financial Statements

For the years ended June 30, 2023 and 2022

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

Opinion

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, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SECOORA as of June 30, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SECOORA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SECOORA's ability to continue as a going concern within one year after the date of the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SECOORA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SECOORA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Supplementary 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*, 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 has 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 additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, on our consideration of SECOORA'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 solely 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 the effectiveness of SECOORA's 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 SECOORA's internal control over financial reporting and compliance.

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, 2023

Southeast Coastal Ocean Observing Regional Association

Statements of Financial Position

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 405,372	\$ 467,448
Grants receivable	1,467,917	1,129,131
Prepaid expenses and other assets	33,610	13,229
Property and equipment, net	591,206	329,647
Total assets	<u>\$ 2,498,105</u>	<u>\$ 1,939,455</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,121,160	\$ 1,031,727
Accrued expenses	112,241	-
Accrued payroll, vacation, and taxes	54,821	71,041
Deferred revenue	13,402	250
Total liabilities	<u>1,301,624</u>	<u>1,103,018</u>
Net assets		
Without donor restrictions		
Undesignated	1,086,698	763,059
Designated by the Board	26,636	26,636
With donor restrictions	83,147	46,742
Total net assets	<u>1,196,481</u>	<u>836,437</u>
Total liabilities and net assets	<u>\$ 2,498,105</u>	<u>\$ 1,939,455</u>

See Notes to Financial Statements

Southeast Coastal Ocean Observing Regional Association

Statements of Activities

For the years ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Grant revenue	\$ -	\$ 6,166,824	\$ 6,166,824	\$ -	\$ 5,499,666	\$ 5,499,666
Membership dues	36,500	-	36,500	35,720	-	35,720
Miscellaneous income	57,810	1,000	58,810	24,585	1,000	25,585
Subtotal	94,310	6,167,824	6,262,134	60,305	5,500,666	5,560,971
Net assets released from program restrictions	6,131,419	(6,131,419)	-	5,480,071	(5,480,071)	-
Total support and revenue	6,225,729	36,405	6,262,134	5,540,376	20,595	5,560,971
Expenses						
Program services	5,657,380	-	5,657,380	5,294,410	-	5,294,410
Supporting services:						
Management and general	235,971	-	235,971	235,340	-	235,340
Fundraising	8,739	-	8,739	12,822	-	12,822
Total expenses	5,902,090	-	5,902,090	5,542,572	-	5,542,572
Increase (decrease) in net assets	323,639	36,405	360,044	(2,196)	20,595	18,399
Net assets, beginning of year	789,695	46,742	836,437	791,891	26,147	818,038
Net assets, end of year	\$ 1,113,334	\$ 83,147	\$ 1,196,481	\$ 789,695	\$ 46,742	\$ 836,437

See Notes to Financial Statements

Southeast Coastal Ocean Observing Regional Association

Statements of Cash Flows

For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Increase in net assets	\$ 360,044	\$ 18,399
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	38,524	35,043
Change in accrued and deferred amounts:		
Grants receivable	(338,786)	16,846
Prepaid expenses and other assets	(20,381)	(622)
Accounts payable	89,433	(19,105)
Accrued expenses	112,241	-
Accrued payroll, vacation, and taxes	(16,220)	32,301
Deferred revenue	13,152	(7,750)
Net cash provided by operating activities	<u>238,007</u>	<u>75,112</u>
Investing activities		
Purchases of property and equipment	(300,083)	-
Net cash used for investing activities	<u>(300,083)</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(62,076)	75,112
Cash and cash equivalents, beginning of year	467,448	392,336
Cash and cash equivalents, end of year	<u>\$ 405,372</u>	<u>\$ 467,448</u>

See Notes to Financial Statements

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2023 and 2022

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.

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, 2023 or 2022.

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, 2023 and 2022

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 program restrictions.

Membership dues are recognized as revenue over the periods in 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. Deferred revenue as of June 30, 2023, 2022, and 2021 was \$13,402, \$250, and \$8,000, respectively.

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, 2023 or 2022.

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, 2023 and 2022

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 did not receive any in-kind donations during the years ended June 30, 2023 and 2022.

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, 2023 or 2022.

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 \$54,821 and \$42,514 as of June 30, 2023 and 2022, 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).

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2023 and 2022

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

Income tax status, continued:

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, 2023 or 2022. 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, 2020.

Availability of funds for general expenditures:

SECOORA has certain net assets that are available for general expenditures within one year of June 30, 2023 and 2022 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 services expenses include direct and allocated costs for 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.

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2023 and 2022

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

Expense allocation, continued:

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
Travel – staff	Direct costs to programs; remaining to management/general
Telephone	Direct costs to programs, management/general, and fundraising
Contract services – website	Direct costs to programs; remaining to management/general
Miscellaneous	Direct costs to programs; remaining to management/general

Recently issued and adopted accounting pronouncements:

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*, which is effective for fiscal years ending December 15, 2021 and after. The ASU establishes a dual approach for classifying leases as either financing or operating leases and requires recognition of a right-of-use asset and lease liability on the Statements of Financial Position for both types of leases. This distinction will be relevant for the pattern of expense recognition in the Statements of Activities. SECOORA adopted this standard effective July 1, 2022, which did not have a material impact on its 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 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, 2023, the date the financial statements were available to be issued.

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2023 and 2022

Note 2. Availability and Liquidity

Total 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, 2023 and 2022, are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Assets at year end	\$ 2,498,105	\$ 1,939,455
Less amounts not available to be used within one year due to illiquidity:		
Prepaid expenses and other assets	(33,610)	(13,229)
Property and equipment, net	<u>(591,206)</u>	<u>(329,647)</u>
	<u>(624,816)</u>	<u>(342,876)</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 Fund and Resiliency Fund	<u>(109,783)</u>	<u>(73,378)</u>
Assets available to meet cash needs for general expenditures within one year	<u>\$ 1,763,506</u>	<u>\$ 1,523,201</u>

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 98% of its total support and revenue through grants received directly from the National Oceanic and Atmospheric Administration (“NOAA”) during the years ended June 30, 2023 and 2022, respectively.

Grants receivable totaling \$1,467,917 and \$1,129,131 were due from the NOAA and represented 100% of total outstanding receivables on June 30, 2023 and 2022, respectively. 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, 2023 and 2022 totaled \$43,735 and \$42,385, respectively.

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2023 and 2022

Note 5. Property and Equipment, Net

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

	<u>2023</u>	<u>2022</u>
Gliders	\$ 221,845	\$ 221,845
High frequency radar (HFR)/WERA equipment	214,250	214,250
Website	53,370	-
Equipment not placed in service	<u>246,713</u>	<u>-</u>
	736,178	436,095
Less: accumulated depreciation	<u>(144,972)</u>	<u>(106,448)</u>
Net property and equipment	<u>\$ 591,206</u>	<u>\$ 329,647</u>

For the years ended June 30, 2023 and 2022, depreciation expense was \$38,524 and \$35,043, respectively.

Customized glider equipment was purchased during the year and had not been placed into service as of June 30, 2023.

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.

Note 6. Net Assets Without Donor Restrictions

At June 30, 2023 and 2022, SECOORA has board designated funds of \$26,636 to be used for purposes of the Vembu Subramarian Scholarship Fund. The remaining net assets without donor restrictions of \$1,086,698 and \$763,059, respectively, are undesignated as of June 30, 2023 and 2022.

Note 7. Net Assets With Donor Restrictions

At June 30, 2023 and 2022, net assets with donor restrictions of \$83,147 and \$46,742, respectively, were available for the Vembu Subramarian Scholarship Fund and the Resiliency Fund.

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2023 and 2022

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:

	2023			
	Program Services	Management and General	Fundraising	Total
Subcontract research	\$ 4,920,437	\$ -	\$ -	\$ 4,920,437
Salaries	390,112	111,935	7,410	509,457
Employee benefits and taxes	96,287	27,510	-	125,047
Travel - board and committee support	100,279	-	-	100,279
Travel - staff	57,013	2,427	-	59,440
Contract services - accounting	-	52,222	-	52,222
Depreciation	38,524	-	-	38,524
Contract services - website	22,400	1,729	-	24,129
Contract services - other	-	23,282	-	23,282
Office expenses	-	-	-	-
Dues and subscriptions	17,912	-	-	17,912
Education and outreach	10,628	-	-	10,628
Telephone	3,788	2,552	79	6,419
Supplies	-	4,341	-	4,341
Insurance	-	3,175	-	3,175
Contract services - communication	-	2,562	-	2,562
Miscellaneous	-	4,236	-	4,236
Total expenses	<u>\$ 5,657,380</u>	<u>\$ 235,971</u>	<u>\$ 8,739</u>	<u>\$ 5,902,090</u>

Southeast Coastal Ocean Observing Regional Association

Notes to Financial Statements

June 30, 2023 and 2022

Note 8. Functional Expense Allocation, Continued

	2022			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Subcontract research	\$ 4,793,267	\$ -	\$ -	\$ 4,793,267
Salaries	316,714	110,354	6,297	433,365
Employee benefits and taxes	65,452	36,831	6,446	108,729
Travel - staff	38,436	6,537	-	44,973
Contract services - other	-	41,746	-	41,746
Depreciation	35,043	-	-	35,043
Contract services - accounting	-	23,453	-	23,453
Travel - board and committee support	15,751	-	-	15,751
Dues and subscriptions	15,000	-	-	15,000
Education and outreach	6,707	-	-	6,707
Telephone	3,827	2,552	79	6,458
Supplies	-	6,268	-	6,268
Contract services - website	2,713	1,654	-	4,367
Insurance	-	2,952	-	2,952
Contract services - communication	-	2,562	-	2,562
Miscellaneous	1,500	431	-	1,931
Total expenses	<u>\$ 5,294,410</u>	<u>\$ 235,340</u>	<u>\$ 12,822</u>	<u>\$ 5,542,572</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, 2023 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, 2023.

Report on 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) as a basis for designing 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.

Report on 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 financial statements. 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 style with a large, stylized initial 'E'.

Charleston, South Carolina
November 10, 2023

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

Opinion on Each Major Federal Program

We have audited Southeast Coastal Ocean Observing Regional Association's ("SECOORA's") compliance with the types of compliance requirements identified as subject to audit 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, 2023. SECOORA's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SECOORA complied, in all material aspects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SECOORA and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of SECOORA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to SECOORA's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements above occurred, whether due to fraud or error, and express an opinion on SECOORA's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about SECOORA's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding SECOORA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of SECOORA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 SECOORA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Report on Internal Control over Compliance, Continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be a material weakness as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

A handwritten signature in cursive script that reads "Elliott Davis, LLC". The signature is written in black ink and is positioned above the typed name and date.

Charleston, South Carolina
November 10, 2023

Southeast Coastal Ocean Observing Regional Association

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2023

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	\$ 418,242	\$ 972,366
U.S. Department of Commerce Integrated Ocean Observation System (IOOS) Delivering actionable coastal and ocean information from high-quality science and observations for the Southeast	11.012	NA21NOS0120097	N/A	3,202,854	4,021,942
U.S. Department of Commerce Integrated Ocean Observation System (IOOS) Accelerate Improvements in Hurricane Intensity Forecasting Through Underwater Glider Field Campaigns	11.012	NA22NOS0120178	N/A	132,226	138,056
U.S. Department of Commerce Integrated Ocean Observation System (IOOS) Implementation of the Infrastructure Investments and Jobs Act	11.012	NA23NOS0120081	N/A	82,395	267,738
U.S. Department of Commerce Integrated Ocean Observation System (IOOS) Webcams for Coastal Observation and Operational Support	11.012	NA20NOS0120220	N/A	355,984	428,636
Total U.S. Department of Commerce				<u>4,191,701</u>	<u>5,828,738</u>
Total Federal Expenditures				<u>\$ 4,191,701</u>	<u>\$ 5,828,738</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, 2023

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, 2023. 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 federal grants which existed prior to the fiscal year ended June 30, 2022. SECOORA became eligible to use the new 10% de minimis indirect cost rate during fiscal year ended June 30, 2022, which will be applied on the new IOOS grant for the term through May 2026.

Southeast Coastal Ocean Observing Regional Association

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

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?	None identified
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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? No

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

Auditee qualified as low-risk auditee? Yes

Southeast Coastal Ocean Observing Regional Association

Schedule of Findings and Questioned Costs

For the year ended June 30, 2023

Section II – Financial Statements Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Year Findings

None