

**Southeast Coastal Ocean  
Observing Regional Association**

*Report on Financial Statements*

*For the years ended June 30, 2016 and 2015*

---

# Southeast Coastal Ocean Observing Regional Association

## Contents

---

	<u>Page</u>
<b>Independent Auditor’s Report</b> .....	1 - 2
<b>Financial Statements</b>	
Statements of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows .....	5
Notes to Financial Statements.....	6 - 11
<b>Reporting Under <i>Government Auditing Standards</i></b>	
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 <i>Government Auditing Standards</i> .....	12 - 13
<b>Reporting Under <i>Uniform Guidance</i></b>	
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	14 - 15
Schedule of Expenditures of Federal Awards .....	16
Notes to Schedule of Expenditures of Federal Awards .....	17
Schedule of Findings and Questioned Costs .....	18



## 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, 2016 and 2015, and 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 an opinion 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 of 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, 2016 and 2015, 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.

## **Other Matters**

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 included our report dated October 20, 2016 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  
October 20, 2016

## Southeast Coastal Ocean Observing Regional Association

### Statements of Financial Position

As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 176,768	\$ 248,193
Grants receivable	508,396	304,599
Prepaid expenses and other assets	2,133	1,831
Due from employee	492	165
Total assets	<u>\$ 687,789</u>	<u>\$ 554,788</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 398,777	\$ 287,097
Accrued payroll, vacation, and taxes	28,267	28,072
Deferred revenue	8,750	16,250
Total liabilities	<u>435,794</u>	<u>331,419</u>
<b>Net assets</b>		
Unrestricted	<u>251,995</u>	<u>223,369</u>
Total net assets	<u>251,995</u>	<u>223,369</u>
Total liabilities and net assets	<u>\$ 687,789</u>	<u>\$ 554,788</u>

See Notes to Financial Statements.

## Southeast Coastal Ocean Observing Regional Association

### Statements of Activities

For the years ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support and revenue</b>						
Grant revenue	\$ -	\$ 2,829,545	\$ 2,829,545	\$ -	\$ 2,577,091	\$ 2,577,091
Buoy contribution	-	-	-	-	17,219	17,219
Membership dues	41,250	-	41,250	35,500	-	35,500
In-kind donations-facilities	3,464	-	3,464	3,016	-	3,016
Miscellaneous income	3,484	-	3,484	4,499	-	4,499
Subtotal	48,198	2,829,545	2,877,743	43,015	2,594,310	2,637,325
Net assets released from program restrictions	2,829,545	(2,829,545)	-	2,594,310	(2,594,310)	-
Total support and revenue	2,877,743	-	2,877,743	2,637,325	-	2,637,325
<b>Expenses</b>						
Program services	2,672,937	-	2,672,937	2,448,694	-	2,448,694
Supporting services:						
Management and general	172,028	-	172,028	176,958	-	176,958
Fundraising	4,152	-	4,152	3,831	-	3,831
Total expenses	2,849,117	-	2,849,117	2,629,483	-	2,629,483
Increase in net assets	28,626	-	28,626	7,842	-	7,842
<b>Net assets, beginning of year</b>	223,369	-	223,369	215,527	-	215,527
<b>Net assets, end of year</b>	\$ 251,995	\$ -	\$ 251,995	\$ 223,369	\$ -	\$ 223,369

See Notes to Financial Statements.

## Southeast Coastal Ocean Observing Regional Association

### Statements of Cash Flows

For the years ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Operating activities</b>		
Increase in net assets	\$ 28,626	\$ 7,842
Adjustments to reconcile increase in net assets to net cash (used for) provided by operating activities:		
Change in accrued and deferred amounts:		
Grants receivable	(203,797)	52,535
Prepaid expenses and other assets	(302)	699
Due from employee	(327)	(165)
Accounts payable	111,680	(52,497)
Accrued payroll, vacation, and taxes	195	7,300
Deferred revenue	(7,500)	3,500
Net cash (used for) provided by operating activities	<u>(71,425)</u>	<u>19,214</u>
 Net (decrease) increase in cash and cash equivalents	 (71,425)	 19,214
 <b>Cash and cash equivalents, beginning of year</b>	 248,193	 228,979
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 176,768</u></u>	<u><u>\$ 248,193</u></u>

See Notes to Financial Statements.

---

# Southeast Coastal Ocean Observing Regional Association

## Notes to Financial Statements

June 30, 2016

---

### 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 (“RAs”) 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:

SECOORA reports information regarding its financial position and activities according to three classes of net assets. 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:

**Unrestricted Net Assets** – net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** – net assets subject to donor-imposed stipulations that may or will be met by the actions of SECOORA and/or the passage of time.

**Permanently Restricted Net Assets** – net assets subject to donor-imposed stipulations that they be maintained permanently by SECOORA. Generally donors of these assets permit the use of all or part of the income earned on related investments for general or specific purposes.

SECOORA had no permanent or temporarily restricted net assets at June 30, 2016 or 2015.



---

# Southeast Coastal Ocean Observing Regional Association

## Notes to Financial Statements

June 30, 2016

---

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

#### Revenue recognition:

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 paid and a reimbursement request is sent to 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 temporarily or permanently restricted net assets, 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), temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted net assets. Membership dues received from members 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, 2016 or 2015.

#### 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. As of June 30, 2016 and 2015, SECOORA held no property and equipment which met its capitalization threshold.

---

# Southeast Coastal Ocean Observing Regional Association

## Notes to Financial Statements

June 30, 2016

---

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

#### Accrued compensated absences:

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 are included in accrued expenses and totaled \$23,490 and \$20,436 as of June 30, 2016 and 2015, respectively.

#### 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, 2016 or 2015. 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.

#### 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 \$3,464 and \$3,016 in consideration classified as donated facilities during the years ended June 30, 2016 and 2015, respectively. 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, 2016 or 2015.

#### Functional allocation of expenses:

The costs of providing the various programs and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on management's estimate of time spent by the individual in each functional category as well as each department's allocation of expenses.

#### 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, 2016***

---

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

##### *Reclassifications:*

Certain reclassifications have been made to SECOORA's Statement of Activities as of and for the year ended June 30, 2015 for comparative presentation purposes.

##### *Subsequent events:*

In preparing these financial statements, SECOORA has evaluated events and transactions for potential recognition or disclosure through October 20, 2016, the date the financial statements were available to be issued.

#### **Note 2. 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 97% and 98% of its total support and revenue through grants received directly from National Oceanic and Atmospheric Administration ("NOAA") during the years ended June 30, 2016 and 2015, respectively.

At June 30, 2016, grants receivable totaling \$485,663 were due from NOAA and represented 96% of total outstanding grants receivable. At June 30, 2015, grants receivable totaling \$304,564 were due from NOAA and represented 100% of total outstanding grants receivable. Loss of this support in future years could have a significant impact on SECOORA's operations.

#### **Note 3. 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, 2016 and 2015 totaled \$35,379 and \$30,909, respectively.

#### **Note 4. Related Party Transactions**

During the fiscal years ended June 30, 2016 and 2015, SECOORA had Board members who also served as the principal investigators ("PIs") on six sub-recipient contracts on behalf of the organizations they represent, respectively. Total payments made to the Board members' organizations for total sub-recipient contracts were \$1,535,971 and \$1,259,987 for the years ended June 30, 2016 and 2015, respectively.

## Southeast Coastal Ocean Observing Regional Association

### Notes to Financial Statements

June 30, 2016

#### Note 5. Functional Expense Allocation

Organizational expenses are allocated as follows for the year ended June 30, 2016. Management and general expenses include expenses that are not identifiable with any program service but provide for the overall support and direction of SECOORA.

	2016			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Subcontract research	\$ 2,285,587	\$ -	\$ -	\$ 2,285,587
Salaries	214,087	97,599	3,148	314,834
Employee benefits and taxes	57,300	26,122	843	84,265
Contract services-communication program support	55,781	312	-	56,093
Travel-staff	28,527	3,170	-	31,697
Contract services-accounting	-	21,736	-	21,736
Travel-board and committee support	16,983	-	-	16,983
Contract services-other	-	13,199	-	13,199
Office expenses	3,924	2,552	66	6,542
Supplies	3,219	2,092	54	5,365
Dues and subscriptions	5,000	-	-	5,000
Telephone	2,479	1,611	41	4,131
Contract services-website	-	1,739	-	1,739
Insurance	-	1,646	-	1,646
Miscellaneous	-	250	-	250
Education and outreach	50	-	-	50
Total Expenses	<u>\$ 2,672,937</u>	<u>\$ 172,028</u>	<u>\$ 4,152</u>	<u>\$ 2,849,117</u>

## Southeast Coastal Ocean Observing Regional Association

### Notes to Financial Statements

June 30, 2016

#### Note 5. Functional Expense Allocation, Continued

Organizational expenses are allocated as follows for the year ended June 30:

	2015			Total
	Program Services	Management and General	Fundraising	
Subcontract research	\$ 2,097,948	\$ -	\$ -	\$ 2,097,948
Salaries	171,381	111,398	2,856	285,635
Employee benefits and taxes	46,796	30,417	780	77,993
Contract services-communication program support	60,642	874	-	61,516
Travel-staff	23,564	3,071	-	30,708
Contract services-accounting	-	18,359	-	18,359
Buoy Expense	17,219	-	-	17,219
Travel-board and committee support	13,109	-	-	13,109
Supplies	4,478	2,911	75	7,464
Telephone	3,870	2,516	64	6,450
Office expenses	3,411	2,217	56	5,684
Dues and subscriptions	5,000	-	-	5,000
Contract services-website	-	1,721	-	1,721
Insurance	-	1,646	-	1,646
Education and outreach	1,276	-	-	1,276
Contract services-other	-	1,251	-	1,251
Miscellaneous	-	577	-	577
Total Expenses	<u>\$ 2,448,694</u>	<u>\$ 176,598</u>	<u>\$ 3,831</u>	<u>\$ 2,629,483</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"), and the related notes to the financial statements, which collectively comprise SECOORA's basic financial statements, and have issued our report thereon dated October 20, 2016.

**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.

**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, non-compliance 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 non-compliance 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 cursive script that reads "Elliott Davis Decosimo, LLC".

Charleston, South Carolina

October 20, 2016



**Reporting Under the *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 ("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, 2016. 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 the requirements of laws, regulations, contracts, and grants 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 non-compliance 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, 2016.

### **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, non-compliance 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 non-compliance 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.

*Elliott Davis Decosimo, LLC*

Charleston, South Carolina  
October 20, 2016

**Southeast Coastal Ocean Observing Regional Association**

*Schedule of Expenditures of Federal Awards*

*For the year ended June 30, 2016*

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)					
A Framework for Monitoring, Prediction, and Assessment to Support Decision-Makers Needs	11.012	NA11NOS0120033	N/A	\$ 2,239,420	\$ 2,770,812
Supporting Resilient Ecosystems, Communities, and Economies	11.012	NA16NOS0120028	N/A	7,999	<u>8,182</u>
Passed through the Coastal States Stewardship Foundation					
Coastal Services Center					
Utilizing Regional Collaboration to Implement the National Disaster Recovery Framework in South Atlantic Coastal Communities	11.473	NA16NOS4730007	NA16NOS4730007	-	<u>21,050</u>
<b>Total U.S. Department of Commerce</b>					<u>2,800,044</u>
<b>Total Federal Expenditures</b>					<u><u>\$ 2,800,044</u></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, 2016***

---

#### **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, 2016. 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 has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

---

# Southeast Coastal Ocean Observing Regional Association

## Schedule of Findings and Questioned Costs

For the year ended June 30, 2016

---

### Section I – Summary of Auditor's Results

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 reported
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 reported

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:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
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
----------------------------------------	-----

### Section II - Financial Statements Findings

None

### Section III - Federal Award Findings and Questioned Costs

None

### Section IV - Summary Schedule of Prior Year Findings

None