

**NORTHEASTERN REGIONAL ASSOCIATION
OF COASTAL OCEAN OBSERVING SYSTEMS**

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

SEPTEMBER 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northeastern Regional Association of
Coastal Ocean Observing Systems
Portsmouth, NH

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Northeastern Regional Association of Coastal Ocean Observing Systems ("NERACOOS") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of NERACOOS as of September 30, 2022 and 2021, and the changes in its 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 audit 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 NERACOOS and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

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.

To the Board of Directors
Northeastern Regional Association of
Coastal Ocean Observing Systems

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 NERACOOS' ability to continue as a going concern within one year after the date that 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 NERACOOS' 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 NERACOOS' ability to continue as a going concern for a reasonable period of time.

To the Board of Directors
Northeastern Regional Association of
Coastal Ocean Observing Systems

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

Supplementary Information

Our audit was 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 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 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 May 3, 2023, on our consideration of NERACOOS' 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 NERACOOS' 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 NERACOOS' internal control over financial reporting and compliance.

Manchester, New Hampshire
May 3, 2023

Hessum / Bare PC

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

STATEMENTS OF FINANCIAL POSITION

As of September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 285,726	\$ 275,710
Grants and contributions receivable	1,180,795	317,995
Prepaid expenses	<u>4,792</u>	<u>8,044</u>
Total current assets	<u>1,471,313</u>	<u>601,749</u>
Other assets		
Deposit	<u>1,963</u>	<u>1,963</u>
Total assets	<u>\$ 1,473,276</u>	<u>\$ 603,712</u>

LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS

Liabilities		
Accounts payable	\$ 1,060,434	\$ 241,482
Accrued salaries and related taxes	44,199	58,518
Accrued retirement contribution	<u>16,188</u>	<u>7,265</u>
Total liabilities	<u>1,120,821</u>	<u>307,265</u>
Net assets		
Without donor restrictions	<u>352,455</u>	<u>296,447</u>
Total liabilities and net assets	<u>\$ 1,473,276</u>	<u>\$ 603,712</u>

The accompanying notes are an integral part of these financial statements.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue and support		
Grants	\$ 5,225,912	\$ 3,815,677
Contributions	35,339	26,914
Program income	2,663	471
Investment income	<u>81</u>	<u>83</u>
Total revenue and support	5,263,995	3,843,145
Expenses		
Program service	4,962,139	3,677,960
Management and general	223,780	218,189
Fundraising	<u>22,068</u>	<u>24,736</u>
Total expenses	<u>5,207,987</u>	<u>3,920,885</u>
Change in net assets	56,008	(77,740)
Net assets, beginning of year	<u>296,447</u>	<u>374,187</u>
Net assets, end of year	<u><u>\$ 352,455</u></u>	<u><u>\$ 296,447</u></u>

The accompanying notes are an integral part of these financial statements.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ 56,008	\$ (77,740)
Adjustment to reconcile change in net assets to net cash provided by operating activities		
(Increase) decrease in grants and contributions receivable	(862,800)	657,491
Decrease in prepaid expenses	3,252	1,339
Increase (decrease) in accounts payable	818,952	(560,748)
(Decrease) increase in accrued salaries and related taxes	(14,319)	17,261
Increase (decrease) in accrued retirement contributions	<u>8,923</u>	<u>(712)</u>
Net cash provided by operating activities	<u>10,016</u>	<u>36,891</u>
Increase in cash	10,016	36,891
Cash at beginning of year	<u>275,710</u>	<u>238,819</u>
Cash at end of year	<u><u>\$ 285,726</u></u>	<u><u>\$ 275,710</u></u>

The accompanying notes are an integral part of the financial statements.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

NOTES TO FINANCIAL STATEMENTS

Note 1. NATURE OF ACTIVITIES

The Northeastern Regional Association of Coastal Ocean Observing Systems (“NERACOOS”) is a Maine nonprofit corporation incorporated in 2008. NERACOOS’ mission is to produce, integrate and communicate high quality information that helps ensure safety, economic and environmental resilience, and sustainable use of the coastal ocean. NERACOOS spans coastal waters from the Canadian Maritime Provinces to the New York Bight. NERACOOS provides weather and ocean data to fishers and commercial shippers determining if conditions are safe for passage and to emergency managers issuing storm warnings. NERACOOS is also advancing efforts to improve water quality monitoring, harmful algal bloom predictions and warnings, and coastal flooding and erosion forecasting systems.

NERACOOS’ major source of revenue is derived from grants.

Note 2. SIGNIFICANT ACCOUNTING POLICIES

Cash

For purposes of the statement of cash flows, NERACOOS considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. NERACOOS had no cash equivalents at September 30, 2022 and 2021. NERACOOS maintains its cash in bank deposit accounts which at times may exceed federally insured limits. NERACOOS has not experienced any losses on such accounts. At September 30, 2022, NERACOOS’s uninsured cash balance was \$36,331.

Grants and contributions receivable

Federal grants receivable are carried at the unpaid balance of the original amount billed, or costs incurred, to the federal award granting agency, reduced by an estimate made for doubtful accounts based on a review of all outstanding amounts and their terms. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Grants receivable are written off when deemed uncollectible.

Unconditional promises to give are recorded as contributions receivable at present value using a risk-free rate of return, less an appropriate allowance for uncollectible contributions at the time the contribution is made. The allowance for uncollectible contributions is based on an overall review of outstanding contributions and an analysis of individual large contributions outstanding. Contributions are written off when deemed uncollectible.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

NERACOOS has one revenue stream accounted for as a reciprocal exchange transaction, which includes federal grant revenues.

Federal grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts, or when a unit of service is provided for performance grants that reflects the consideration that NERACOOS expects to be entitled to in exchange for those services. All of NERACOOS's revenue from contracts with customers is from performance obligations satisfied over time. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

Amounts billed but unpaid are contract assets and are recorded as account receivables. For the fiscal years ended September 30, 2022, 2021, and 2020 accounts receivable were \$1,180,795, \$317,995, and \$975,486 respectively.

Because NERACOOS' performance obligations relate to contracts with a duration less than one year, NERACOOS has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. There are no incremental costs of obtaining a contract and no significant financing components.

Contributions revenue

Unconditional grants and contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Contributions of assets other than cash are recorded at their estimated fair value. Contributions received with a donor stipulation that limits their use are reported as net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Unconditional grants and contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the contribution becomes unconditional or irrevocable.

Net assets

The financial statements report net assets and changes in net assets that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of NERACOOS, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; NERACOOS must continue to use the resources in accordance with the donor's restrictions.

Vacation pay

NERACOOS has accrued a liability for future vacation time that its employees have earned and which is vested with the employees.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Income taxes

NERACOOS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as a charitable organization, whereby only unrelated business income as defined by Section 509(a)(1) of the Code is subject to federal income tax. At September 30, 2022 and 2021, NERACOOS had no unrelated business income. Accordingly, no provision for income taxes has been recorded. The income tax filings for the tax years before 2018 are no longer subject to examination by federal and state taxing authorities.

Functional allocation of expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the notes to the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events

For the purpose of recognition and disclosure in the financial statements, management has evaluated subsequent events through May 3, 2023, which is the date the financial statements were available to be issued.

Accounting pronouncement adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers Topic 606*. This ASU supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. NERACOOS adopted this ASU on October 1, 2020.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (concluded)

NERACOOS implemented ASU 2014-09 using a full retrospective method of application. The adoption of ASU 2014-09 resulted in changes to the disclosure of revenue. There were no material changes to the recognition or presentation of revenue as a result of the application of ASU 2014-09. As a result, no cumulative effect adjustment was recorded upon adoption.

Note 3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of September 30, are:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 285,726	\$ 275,710
Grants and contributions receivable	<u>1,180,795</u>	<u>317,995</u>
Total financial assets	1,466,521	593,705
Amount available for general expenditures within one year	<u>\$1,466,521</u>	<u>\$ 593,705</u>

Note 4. RETIREMENT PLAN

NERACOOS has a defined contribution retirement plan that contributes 5% of annual salaries for employees meeting certain eligibility requirements. For the years ended September 30, 2022 and 2021, retirement contribution expense was \$18,755 and \$14,883, respectively.

Note 5. OPERATING LEASE

NERACOOS leases office space under a lease expiring in September 2022. Base rent and common area charges are adjusted each year of the lease based on the Consumer Price Index. Lease expenses for the years ending September 30, 2022 and 2021 was \$27,242 and \$28,627, respectively. Future minimum payments under the operating lease for base rent are \$16,917 for the year ending September 30, 2023.

Note 6. CONCENTRATIONS

At September 30, 2022, 65% of the accounts receivable balance was due from two grantors. At September 30, 2021, 71% of the accounts receivable balance was due from one grantor. At September 30, 2022 and 2021, 60% and 92%, respectively, of the accounts payable balance was owed to three subrecipients.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

NOTES TO FINANCIAL STATEMENTS

Note 7. RELATED PARTIES

Some organizations that are provided federal awards from NERACOOS are represented on the Board of Directors of NERACOOS. In addition, certain principal investigators of federal grant sub-awards also serve on the NERACOOS Board of Directors.

The amount of the sub-awards and accounts payable balance as of September 30, 2022 for which the principal investigator serves on the NERACOOS Board of Directors was as follows:

	<u>Sub-award</u>	<u>Accounts Payable</u>
University of Connecticut	\$ 379,186	\$ 86,830
University of Maine	790,000	48,876
Bedford Institute of Oceanography	20,000	-
Massachusetts Maritime Academy	37,422	-
Wells National Estuarine Research Reserve	14,227	-

The amount of the sub-awards and accounts payable balance as of September 30, 2021 for which the principal investigator serves on the NERACOOS Board of Directors was as follows:

	<u>Sub-award</u>	<u>Accounts Payable</u>
University of Maine	\$ 75,000	\$ 71,761
Massachusetts Maritime Academy	58,542	-
Wells National Estuarine Research Reserve	14,227	-

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

NOTES TO FINANCIAL STATEMENTS

Note 8. FUNCTIONAL EXPENSES

Expenses by functional classification at September 30, 2022 and 2021 were as follows:

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>
Grant sub-awards	\$ 4,155,530	\$ -	\$ -	\$ 4,155,530
Salaries	448,494	127,542	16,019	592,055
Office expense	7,839	34,680	2,787	45,306
Employee benefits	47,679	13,559	1,703	62,941
Travel	19,571	-	-	19,571
Outside contract services	208,697	-	-	208,697
Meetings and conferences	13,252	-	-	13,252
Rent	11,561	15,322	326	27,209
Payroll taxes	34,516	9,816	1,233	45,565
Professional fees	-	18,156	-	18,156
Insurance	-	4,705	-	4,705
Professional association fees	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
	<u>\$ 4,962,139</u>	<u>\$ 223,780</u>	<u>\$ 22,068</u>	<u>\$ 5,207,987</u>
	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2021 Total</u>
Grant sub-awards	\$ 3,144,451	\$ -	\$ -	\$ 3,144,451
Salaries	396,268	133,795	19,207	549,270
Office expense	6,117	18,113	1,321	25,551
Employee benefits	46,074	16,134	2,316	64,524
Travel	(3,044)	-	-	(3,044)
Outside contract services	32,846	-	-	32,846
Meetings and conferences	(312)	-	-	(312)
Rent	12,164	16,121	342	28,627
Payroll taxes	30,826	10,795	1,550	43,171
Professional fees	-	18,505	-	18,505
Insurance	-	4,726	-	4,726
Professional association fees	<u>12,570</u>	<u>-</u>	<u>-</u>	<u>12,570</u>
	<u>\$ 3,677,960</u>	<u>\$ 218,189</u>	<u>\$ 24,736</u>	<u>\$ 3,920,885</u>

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Passed Through to Sub- recipients</u>	<u>Federal Expend- itures</u>
U.S. Department of Commerce: Integrated Ocean Observing System (IOOS): NERACOOS: The Integrated Ocean Observing System for the Northeast Region	11.012		\$ 1,742,078	\$ 2,028,333
MBON Expansion into the Gulf of of Maine: the NERACOOS/NROC Integrated Sentinel Monitoring Network (ISMN)	11.012		236,509	246,994
*Improvement and Technology Transition of the Northeast Coastal Ocean Forecast System (NECOFS) for NOAA and IOOS forecast Operations	11.012		258,154	278,605
The Alliance for Coastal Technologies: National Scale Efforts Toward Evaluation of Observing Technologies	11.012		11,294	11,294
NERACOOS: A Responsive Ocean Observing System for the Changing Northeast Region	11.012		<u>1,696,250</u>	<u>2,075,529</u>
Total Integrated Ocean Observing System (IOOS)			3,944,285	4,640,755

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (concluded)

For the Year Ended September 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Passed Through to Sub- recipients</u>	<u>Federal Expend- itures</u>
Pass-Through Office of Coastal Management: *A generic predictive model for ocean and coastal acidification thresholds from Long Island Sound to the Nova Scotian Shelf	11.478		170,984	186,285
Pass-Through Woods Hole Oceanographic Institution: *MERHAB19: HABON-NE, An Adaptive Observing Network for Real-Time, In Situ HAB Monitoring and Data Sharing Across New England	11.478	A101466	23,024	30,111
Pass-Through University of New Hampshire: *Coordinated Ocean Energy for Northeast Coastal Stakeholders: New Hampshire	11.417	PZL0198	-	19,037
Total U.S. Department of Commerce			4,138,293	4,876,188
U.S. Department of Defense: Pass-through Office of Naval Research: *Infrastructure Enhancements to Advance Tracking Technology to Study Shark Behavior off the Coasts of Massachusetts and Hawaii	12.300		6,411	6,411
U.S. Department of State: Public Diplomacy Programs	19.040		7,000	9,851
Total Expenditures of Federal Awards			<u>\$ 4,151,704</u>	<u>\$ 4,892,450</u>

*Research and development cluster for a total of \$520,449.

See accompanying notes to Schedule of Expenditures of Federal Awards.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of NERACOOS under programs of the federal government for the year ended September 30, 2022 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 NERACOOS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of NERACOOS.

Note 2. 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. NERACOOS negotiates the indirect cost rate with its cognizant federal agency the Department of Commerce, National Oceanic and Atmospheric Administration.

Note 3. INDIRECT COST RATES

NERACOOS has a fixed indirect cost rate of 11.08% for the fiscal year ended September 30, 2022. The indirect cost rates are based upon approval by the grantor and are subject to change.



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**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 of
Northeastern Regional Association of
Coastal Ocean Observing Systems

We have audited, 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, the financial statements of Northeastern Regional Association of Coastal Ocean Observing Systems ("NERACOOS") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NERACOOS' 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 NERACOOS' internal control. Accordingly, we do not express an opinion on the effectiveness of NERACOOS' 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.

Board of Directors
Northeastern Regional Association of
Coastal Ocean Observing Systems

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NERACOOS' financial statements are free from 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

This 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 NERACOOS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NERACOOS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manchester, NH
May 3, 2023

Hesum, Dave pc



HESSION & PARE, PC.
CERTIFIED PUBLIC ACCOUNTANTS
62 Stark Street, Manchester, New Hampshire 03101
603-669-5477 FAX 603-669-0197

**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 of
Northeastern Regional Association of
Coastal Ocean Observing Systems

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northeastern Regional Association of Coastal Ocean Observing Systems ("NERACOOS") 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 NERACOOS' major federal programs for the year ended September 30, 2022. NERACOOS' 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, NERACOOS complied, in all material respects, 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 September 30, 2022.

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 NERACOOS and to meet our other 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 NERACOOS's compliance with the compliance requirements referred to above.

Board of Directors
Northeastern Regional Association of
Coastal Ocean Observing Systems

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 NERACOOS'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 referred to above occurred, whether due to fraud or error, and express an opinion on NERACOOS'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 NERACOOS'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 NERACOOS'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 NERACOOS'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 NERACOOS's internal control over compliance. Accordingly, no such opinion is expressed.

Board of Directors
Northeastern Regional Association of
Coastal Ocean Observing Systems

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.

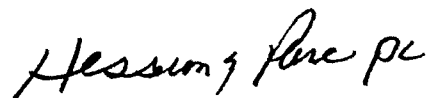
Report on Internal Control Over Compliance

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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 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 material weaknesses, 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.



Manchester, NH
May 3, 2023

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

Material weakness identified? _____ Yes X No

Significant deficiency(ies) identified that are not
considered to be material weaknesses? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified? _____ Yes X No

Significant deficiency(ies) identified that are not
considered to be material weaknesses? _____ Yes X 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)? _____ Yes X No

Identification of major programs

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

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low-risk auditee: X Yes _____ No

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2022

Section II – Financial Statement Findings

None.

Section III – Findings and Questioned Costs for Federal Awards

None.

**NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2022

Section II – Financial Statement Findings

None.

Section III – Findings and Questioned Costs for Federal Awards

There were no reported findings from the prior year.