

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

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

SEPTEMBER 30, 2023 ,

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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, 2023 and 2022, 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, 2023 and 2022, 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 January 19, 2024, 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
January 19, 2024

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

STATEMENTS OF FINANCIAL POSITION

As of September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 831,664	\$ 285,726
Grants receivable	128,338	1,180,795
Prepaid expenses	4,666	4,792
Operating lease, right-of-use asset	<u>17,049</u>	<u>-</u>
Total current assets	<u>981,717</u>	<u>1,471,313</u>
Other assets		
Deposit	<u>1,963</u>	<u>1,963</u>
Total assets	<u>\$ 983,680</u>	<u>\$ 1,473,276</u>

LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS

Liabilities		
Accounts payable	\$ 310,900	\$ 1,060,434
Accrued salaries and related taxes	46,678	44,199
Accrued retirement contribution	28,593	16,188
Lease liability, operating	<u>17,302</u>	<u>-</u>
Total liabilities	<u>403,473</u>	<u>1,120,821</u>
Net assets		
Without donor restrictions	<u>580,207</u>	<u>352,455</u>
Total liabilities and net assets	<u>\$ 983,680</u>	<u>\$ 1,473,276</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Revenue and support		
Grants	\$ 4,398,225	\$ 5,225,912
Contributions	17,100	35,339
Program income	45	2,663
Investment income	788	81
	<hr/>	<hr/>
Total revenue and support	4,416,158	5,263,995
Expenses		
Program service	3,926,292	4,962,139
Management and general	237,741	223,780
Fundraising	24,373	22,068
	<hr/>	<hr/>
Total expenses	4,188,406	5,207,987
Change in net assets from operations	227,752	56,008
Net assets, beginning of year	352,455	296,447
	<hr/>	<hr/>
Net assets, end of year	<u>\$ 580,207</u>	<u>\$ 352,455</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 227,752	\$ 56,008
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Decrease (increase) in grants and contributions receivable	1,052,457	(862,800)
Decrease in prepaid expenses	126	3,252
(Decrease) increase in accounts payable	(749,534)	818,952
Increase (decrease) in accrued salaries and related taxes	2,479	(14,319)
Increase in accrued retirement contributions	12,405	8,923
Operating lease liability	253	-
	<u>545,938</u>	<u>10,016</u>
Net cash provided by operating activities		
	<u>545,938</u>	10,016
Increase in cash		
	<u>285,726</u>	<u>275,710</u>
Cash at beginning of year		
	<u>\$ 831,664</u>	<u>\$ 285,726</u>
Cash at end of year		

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

Significant accounting policies

NERACOOS prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by NERACOOS are described subsequently to enhance the usefulness and understandability of the financial statements.

Change in Accounting Principle

ASU 2016-02, Leases

Effective October 1, 2022, NERACOOS adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 842, *Leases*. NERACOOS determines if an arrangement contains a lease at inception based on whether NERACOOS has the right to control the asset during the contract period and other facts and circumstances. NERACOOS elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification. NERACOOS elected the short-term lease recognition exemption for all leases that qualify. Consequently, for those leases that qualify, NERACOOS will not recognize right-of-use assets or lease liabilities on the Statement of Financial Position. NERACOOS generally does not have access to the rate implicit in the lease and, therefore, NERACOOS utilizes a risk-free rate as the discount rate.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The adoption of ASC 842 resulted in the recognition of right-to-use assets of \$32,925 and operating lease liability totaling \$32,925 as of October 1, 2022. Results for periods beginning prior to October 1, 2022 continue to be reported in accordance with NERACOOS historical accounting treatment. The adoption of ASC 842 did not have a material impact on NERACOOS's results of operations and cash flows. See Summary of Significant Accounting Policies, Leases, for further discussion of the effects of adopting ASC 842 on NERACOOS' 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, 2023 and 2022. 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, 2023, NERACOOS's uninsured cash balance was \$585,815.

Grants and contributions receivable

Grants receivable are carried at the unpaid balance of the original amount billed, or costs incurred, to the 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)

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. There were no donor restricted net assets at September 30, 2023 and 2022.

Revenue recognition

Grants

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, 2023 and 2022 accounts receivable were \$128,338 and \$1,180,795, respectively.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Vacation pay

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

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, 2023 and 2022, NERACOOS had no unrelated business income. Accordingly, no provision for income taxes has been recorded.

Functional allocation of expenses

The costs of programs and supporting service activities have been summarized in the accompanying statement of activities. The notes to the financial statements include a disclosure to present the natural classification detail of expenditures by function. Certain costs have been allocated among the programs and supporting services benefited. The expenditure is allocated based on time spent by employees.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (concluded)

Leases

NERACOOS is a lessee for a noncancellable lease for office space. NERACOOS determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. NERACOOS recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. NERACOOS generally does not have access to the rate implicit in the lease and, therefore, NERACOOS utilizes a risk-free rate as the discount rate at the lease commencement date for all classes of underlying assets. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

NERACOOS has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that NERACOOS is reasonably certain to exercise. NERACOOS recognizes lease costs associated with short-term leases on a straight-line basis over the lease term.

Reclassification

Certain balances in the prior year's financial statements may have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These classifications had no effect on previously reported net assets.

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

NOTES TO FINANCIAL STATEMENTS

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>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 831,664	\$ 285,726
Grants and contributions receivable	<u>128,338</u>	<u>1,180,795</u>
Total financial assets	960,002	1,466,521
Amount available for general expenditures within one year	<u>\$ 960,002</u>	<u>\$1,466,521</u>

NERACOOS regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. In addition to financial assets available to meet general expenditures over the next year, NERACOOS operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditure.

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, 2023 and 2022, retirement contribution expense was \$19,033 and \$18,755, respectively.

Note 5. OPERATING LEASE

NERACOOS leases office space under an extended contract through September 2024. Base rent charges are adjusted each year of the lease based on the Consumer Price Index. Monthly payments for base rent were \$1,410 in 2023. The lease agreement requires NERACOOS to pay utilities, taxes, and common area expenses which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the right-of-use lease liability or right-of-use lease asset. Variable lease payments are presented in lease expenses in the statement of functional expenses. Lease expenses for the years ending September 30, 2023 and 2022 were \$29,324 and \$27,209, respectively. Future minimum payments under the operating lease for base rent are \$17,425, less an amount representing interest of \$123, for the fiscal year ending September 30, 2024.

Noncash investing and financial activities related to this operating lease includes a lease asset obtained in exchange for a lease liability of \$32,925.

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

NOTES TO FINANCIAL STATEMENTS

Note 6. CONCENTRATIONS

At September 30, 2023, 57% of the accounts receivable balance was due from one grantor. At September 30, 2022, 65% of the accounts receivable balance was due from two grantors. At September 30, 2023, 55% of the accounts payable balance was owed to two subrecipients. At September 30, 2022, 60% of the accounts payable balance was owed to three subrecipients.

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, 2023 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	\$ 310,312	\$ 2,709

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	-

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

NOTES TO FINANCIAL STATEMENTS

Note 8. FUNCTIONAL EXPENSES

Expenses by functional classification at September 30, 2023 and 2022 were as follows:

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	2023 <u>Total</u>
Grant sub-awards	\$ 3,066,985	\$ -	\$ -	\$ 3,066,985
Salaries	535,744	129,300	18,500	683,544
Office expense	1,205	38,942	2,515	42,662
Employee benefits	47,559	11,461	1,640	60,660
Travel	45,363	-	-	45,363
Outside contract services	120,745	-	-	120,745
Meetings and conferences	39,729	-	-	39,729
Lease expense	12,459	16,513	352	29,324
Payroll taxes	39,625	9,549	1,366	50,540
Professional fees	-	26,328	-	26,328
Insurance	-	5,648	-	5,648
Professional association fees	<u>16,878</u>	<u>-</u>	<u>-</u>	<u>16,878</u>
	<u>\$ 3,926,292</u>	<u>\$ 237,741</u>	<u>\$ 24,373</u>	<u>\$ 4,188,406</u>

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	2022 <u>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
Lease expense	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>

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

NOTES TO FINANCIAL STATEMENTS

Note 9. COMMITMENTS AND CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed costs, including amounts already collected, may constitute a liability for NERACOOS. The amounts, if any, of expenditures, which may be disallowed by the grantor, are recorded at the time that such amounts can be reasonably determined, normally upon notification by the government agency. During the years ended September 30, 2023 and 2022, no such adjustments were made.

Note 10. SUBSEQUENT EVENTS

NERACOOS has evaluated subsequent events through January 19, 2024, the date which the financial statements were available to be issued, and has not evaluated subsequent events after that date. No subsequent events were identified that would require disclosure in the financial statements for the year ended September 30, 2023.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2023

<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 Expenditures</u>
U.S. Department of Commerce: Integrated Ocean Observing System (IOOS): NERACOOS: The Integrated Ocean Observing System for the Northeast Region	11.012		\$ 106,513	\$ 137,702
MBON Expansion into the Gulf of Maine: the NERACOOS/NROC Integrated Sentinel Monitoring Network (ISMN)	11.012		191,160	200,276
*Advancing Atmosphere-Land-Ocean Model Coupling Technology to Improve Coastal Inundation Forecasts	11.012		-	13,866
Strengthening Ocean Observing Infrastructure in the Changing Northeastern U.S.	11.012		58,000	93,021
NERACOOS: A Responsive Ocean Observing System for the Changing Northeast Region	11.012		<u>2,581,858</u>	<u>3,288,008</u>
Total Integrated Ocean Observing System (IOOS)			2,937,531	3,732,873

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (concluded)

For the Year Ended September 30, 2023

<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>
*Vulnerability of the Stellwagen Bank National Marine Sanctuary to climate-driven zooplankton changes in the Gulf of Maine	11.431		18,497	40,039
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	16,720	19,880
Pass-Through University of New Hampshire: *Coordinated Ocean Energy for Northeast Coastal Stakeholders: New Hampshire	11.417	PZL0198	-	<u>26,421</u>
Total U.S. Department of Commerce			2,972,748	3,819,213
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		-	435
U.S. Environmental Protection Agency Pass-Through University of Southern Maine *Casco Bay Estuary Partnership BIL Supplementary Funds	66.456	USM23-113	-	<u>7,294</u>
Total Expenditures of Federal Awards			<u>\$ 2,972,748</u>	<u>\$ 3,826,942</u>

*Research and development cluster for a total of \$107,935.

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, 2023 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 23.06% for the fiscal year ended September 30, 2023. 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, 2023, 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 January 19, 2024.

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
January 19, 2024

Hesson & Paul PC



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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")'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 NERACOOS' major federal programs for the year ended September 30, 2023. 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 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 September 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 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
January 19, 2024

NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2023

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, 2023

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, 2023

Section II – Financial Statement Findings

None.

Section III – Findings and Questioned Costs for Federal Awards

There were no reported findings from the prior year.