

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

**FINANCIAL STATEMENTS
AND OTHER INFORMATION**

SEPTEMBER 30, 2019

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HESSION & PARE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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 Financial Statements

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, 2019 and 2018, and the related statements of activities, functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NERACOOS' 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 NERACOOS' 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.

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

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 NERACOOS as of September 30, 2019 and 2018, 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.

Other Matters

Other 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 (CFR) 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 information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

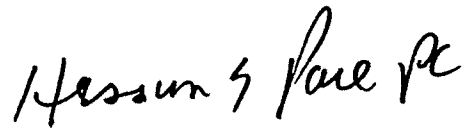
In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2020 on our consideration of NERACOOS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

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

Emphasis of Matter

As discussed in Note 2 to the financial statements, as of and for the years ended September 30, 2019 and 2018, NERACOOS adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Manchester, New Hampshire
April 13, 2020

A handwritten signature in black ink that reads "Hesson & Pave PC". The signature is written in a cursive, flowing style.

NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS

STATEMENTS OF FINANCIAL POSITION

As of September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 345,931	\$ 495,831
Grants and contributions receivable	634,287	247,549
Prepaid expenses	<u>6,826</u>	<u>6,845</u>
Total current assets	<u>987,044</u>	<u>750,225</u>
Other assets		
Deposit	<u>1,963</u>	<u>1,963</u>
Total assets	<u>\$ 989,007</u>	<u>\$ 752,188</u>
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS		
Liabilities		
Accounts payable	\$ 523,763	\$ 352,535
Accrued salaries and related taxes	52,809	43,340
Accrued retirement contribution	4,555	20,290
Deferred revenue	<u>-</u>	<u>25,000</u>
Total liabilities	<u>581,127</u>	<u>441,165</u>
Net assets		
Without donor restrictions	<u>407,880</u>	<u>311,023</u>
Total liabilities and net assets	<u>\$ 989,007</u>	<u>\$ 752,188</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue and support		
Grants	\$ 3,351,752	\$ 3,179,551
Contributions	56,306	29,564
Program income	6,406	6,351
Investment income	158	139
	<hr/>	<hr/>
Total revenue and support	3,414,622	3,215,605
Expenses		
Program service	3,120,340	3,006,493
Management and general	179,612	161,981
Fundraising	17,813	21,708
	<hr/>	<hr/>
Total expenses	3,317,765	3,190,182
Change in net assets	96,857	25,423
Net assets, beginning of year	<hr/> 311,023	<hr/> 285,600
Net assets, end of year	<hr/> <u>\$ 407,880</u>	<hr/> <u>\$ 311,023</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 96,857	\$ 25,423
Adjustment to reconcile change in net assets to net cash provided by operating activities		
(Increase) decrease in grants and contributions receivable	(386,738)	290,404
Decrease (increase) in prepaid expenses	19	(2,552)
Increase (decrease) in accounts payable	171,228	(161,726)
Increase (decrease) in accrued salaries and related taxes	9,469	(263)
(Decrease) increase in accrued retirement contributions	(15,735)	9,781
(Decrease) increase in deferred revenue	<u>(25,000)</u>	<u>2,375</u>
Net cash (used in) provided by operating activities	<u>(149,900)</u>	<u>163,442</u>
(Decrease) increase in cash	(149,900)	163,442
Cash at beginning of year	<u>495,831</u>	<u>332,389</u>
Cash at end of year	<u>\$ 345,931</u>	<u>\$ 495,831</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.

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, 2019 and 2018. 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.

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)

Grants and contributions revenue

Federal grants are reported as unrestricted revenue as reimbursable costs are incurred under the terms of the federal awards.

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred revenue

Deferred revenue consists of grant revenue in excess of costs incurred on federal contracts. NERACOOS records deferred revenue when grant revenue is received before the incurrence of costs related to federal awards.

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.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. SIGNIFICANT ACCOUNTING POLICIES (concluded)

Income taxes

NERACOOS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, no tax provisions have been made in the accompanying financial statements.

NERACOOS has adopted provisions of the FASB ASC *Topic 740-10*. NERACOOS' policy is to evaluate all tax positions on an annual basis in conjunction with the filing of the annual return of organization exempt from income tax. Interest and penalties assessed by income taxing authorities are included in administrative expense. For 2019 and 2018, there were no penalties or interest assessed or paid. NERACOOS files informational returns in the U.S. federal and state jurisdictions.

Subsequent events

For the purpose of recognition and disclosure in the financial statements, management has evaluated subsequent events through April 13, 2020, which is the date the financial statements were available to be issued.

Change in accounting principles

NERACOOS has implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (Note 3).
- The changes had the following effect on net assets at October 1, 2018:

<u>Net asset class</u>	As originally <u>presented</u>	After adoption of <u>ASU 2016-14</u>
Unrestricted net assets	\$ 311,023	
Net assets without donor restrictions	_____	<u>\$ 311,023</u>
Total net assets	<u>\$ 311,023</u>	<u>\$ 311,023</u>

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, 2019 are:

Financial assets:

Cash and cash equivalents	\$ 345,931
Grants and contributions receivable	634,287
Prepaid expenses	<u>6,826</u>
Total financial assets	987,044
Amount available for general expenditures within one year	<u>\$ 987,044</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, 2019 and 2018, retirement contribution expense was \$17,554 and \$16,644, respectively.

Note 5. OPERATING LEASE

NERACOOS leases office space under a lease expiring in September 2020. Base rent and common area charges are adjusted each year of the lease based on the Consumer Price Index. Lease expense for the years ending September 30, 2019 and 2018 was \$26,025 and \$25,421, respectively.

Future minimum payments under the operating lease are (unadjusted for inflation):

2020	<u>\$ 25,128</u>
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Note 6. CONCENTRATIONS

At September 30, 2019, 87% of the accounts receivable balance was due from one grantor, and 58% of the accounts payable balance was owed to two subrecipients. For the year ended September 30, 2019, 99% of grant revenue was received from one grantor. At September 30, 2018, 79% of the accounts receivable balance was due from one grantor, and 57% of the accounts payable balance was owed to two subrecipients. For the year ended September 30, 2018, 99% of grant revenue was received from one grantor.

NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 7. RELATED PARTIES

Many 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 subawards also serve on the NERACOOS Board of Directors.

The amount of the subawards and accounts payable balance as of September 30, 2019 for which the principal investigator serves on the NERACOOS Board of Directors was as follows:

	<u>Subaward</u>	<u>Accounts Payable</u>
University of Maine	\$ 1,032,412	\$ 85,743
University of New Hampshire	363,801	63,743
Wells National Estuarine Research Reserve	2,886	-

The amount of the subawards and accounts payable balance as of September 30, 2018 for which the principal investigator serves on the NERACOOS Board of Directors was as follows:

	<u>Subaward</u>	<u>Accounts Payable</u>
New Hampshire Department of Environmental Services	\$ 20,535	\$ -
University of Maine	931,144	80,234
University of New Hampshire	295,245	27,932
Woods Hole Oceanographic Institution	19,638	3,127

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

NOTES TO FINANCIAL STATEMENTS

Note 8. FUNCTIONAL EXPENSES

Expenses by functional classification at September 30, 2019 and 2018 were as follows:

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>
Grant sub-awards	\$ 2,585,383	\$ -	\$ -	\$ 2,585,383
Salaries	341,933	92,340	13,763	448,036
Office expense	532	33,041	1,671	35,244
Employee benefits	25,276	6,915	1,031	33,222
Travel	48,080	-	-	48,080
Outside contract services	36,545	-	-	36,545
Meetings and conferences	36,902	584	-	37,486
Rent	9,909	16,441	320	26,670
Payroll taxes	25,220	6,899	1,028	33,147
Professional fees	-	18,653	-	18,653
Insurance	-	4,739	-	4,739
Professional association fees	<u>10,560</u>	<u>-</u>	<u>-</u>	<u>10,560</u>
	<u>\$ 3,120,340</u>	<u>\$ 179,612</u>	<u>\$ 17,813</u>	<u>\$ 3,317,765</u>

NORTHEASTERN REGIONAL ASSOCIATION OF
COASTAL OCEAN OBSERVING SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 8. FUNCTIONAL EXPENSES (concluded)

	<u>Program Service</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>
Grant sub-awards	\$ 2,518,877	\$ -	\$ -	\$ 2,518,877
Salaries	298,140	81,216	12,168	391,524
Office expense	14,862	26,582	1,203	42,647
Employee benefits	22,415	5,741	814	28,970
Travel	62,182	-	-	62,182
Outside contract services	20,432	-	6,325	26,757
Meetings and conferences	24,406	210	-	24,616
Rent	10,070	15,030	305	25,405
Payroll taxes	22,624	6,251	893	29,768
Professional fees	-	22,416	-	22,416
Insurance	-	4,535	-	4,535
Professional association fees	<u>12,485</u>	<u>-</u>	<u>-</u>	<u>12,485</u>
	<u>\$ 3,006,493</u>	<u>\$ 161,981</u>	<u>\$ 21,708</u>	<u>\$ 3,190,182</u>

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2019

<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>
Research and Development Cluster:				
U.S. Department of Commerce:				
Integrated Ocean Observing System (IOOS):				
NERACOOS: The Integrated Ocean Observing System for the Northeast Region	11.012		\$ 2,218,829	\$ 2,650,457
Operational Nutrient Observatory for the Northeastern Regional Association of Coastal Ocean Observing Systems	11.012		142,347	149,379
Improvement and Technology Transition of the Northeast Coastal Ocean Forecast System (NECOFS) for NOAA and IOOS forecast Operations	11.012		54,624	65,173
Pass-through University System of New Hampshire: Tracking Ocean Alkalinity Using New Carbon Measurement Technologies (TAACT)	11.012	16-035	15,529	29,287
Pass-through Woods Hole Oceanographic Institution: Transition of Imaging FlowCytobot to Operational Support for Harmful Algal Bloom Mitigation and Research	11.012	24513700	6,060	9,882
Pass-through University of Maryland Center for Environmental Science: Alliance for Coastal Technologies (ACT 2016): National Scale Efforts Towards Evaluation of Observing Technologies	11.012	SA7525796EPO3615	8,500	26,444

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (concluded)

For the Year Ended September 30, 2019

<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 Gulf of Maine Lobster Foundation: Operationalizing real-time telemetry onboard commercial fishing vessels in the Northeast	11.012		-	<u>1,101</u>
Total Integrated Ocean Observing System (IOOS)			2,445,889	2,931,723
Office of Coastal Management: High Resolution Coastal Inundation Modeling and Advancement of Green Infrastructure and Living Shoreline Approaches in the Northeast	11.473		26,499	47,259
A generic predictive model for ocean and coastal acidification thresholds from Long Island Sound to the Nova Scotian Shelf	11.478		64,626	68,296
Pass-through University of Maine: Low pH in the coastal waters of the Gulf of Maine: What are the sources and vulnerabilities to coastal communities?	11.017	UMS-1133	<u>25,870</u>	<u>25,870</u>
Total U.S. Department of Commerce			2,562,884	3,073,148
Total Research and Development Cluster			<u>2,562,884</u>	<u>3,073,148</u>
U.S. Environmental Protection Agency: Pass-through University of Southern Maine: National Estuary Program	66.456	070119CB	-	<u>287</u>
Total Expenditures of Federal Awards			<u>\$ 2,562,884</u>	<u>\$ 3,073,435</u>

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, 2019 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 has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. INDIRECT COST RATES

NERACOOS has predetermined indirect cost rates ranging from 11.8% to 35.97% for various grant agreements. The rates are predetermined rates for the fiscal year ended September 30, 2019 through September 30, 2020. The indirect cost rates are based upon the grant budget approved by the grantor and are subject to change.



HESSION & PARE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2019, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2020.

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) 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 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 may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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
April 13, 2020

Hessim & Paal PC



HESSION & PARE, P.C.

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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

We have audited the Northeastern Regional Association of Coastal Ocean Observing Systems' ("NERACOOS") compliance with the types of compliance requirements described 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, 2019. NERACOOS' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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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 NERACOOS' compliance.

Opinion on Each Major Federal Program

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, 2019.

Report on Internal Control Over Compliance

Management of NERACOOS 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 NERACOOS' 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 NERACOOS' internal control over compliance.

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

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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 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.

Manchester, NH
April 13, 2020

Heisen & Paul PC

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2019

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, 11.473, 11.478, 11.017	Coastal Ocean Observing – research and development cluster

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, 2019

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, 2019

Section II – Financial Statement Findings

None.

Section III – Findings and Questioned Costs for Federal Awards

There were no reported findings from the prior year.