

**Waccamaw Economic Opportunity  
Council, Inc.**

**FINANCIAL REPORT**

**December 31, 2018**

**Waccamaw Economic Opportunity Council, Inc.**

**FINANCIAL REPORT  
DECEMBER 31, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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**To the Board of Directors  
Waccamaw Economic Opportunity Council, Inc.  
Conway, South Carolina**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of **Waccamaw Economic Opportunity Council, Inc.** (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses and cash flows for the year 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 audit. 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. 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Waccamaw Economic Opportunity Council, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year 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 on page 23, 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 September 24, 2019, on our consideration of Waccamaw Economic Opportunity Council, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely 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 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 Waccamaw Economic Opportunity Council, Inc.'s internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Columbia, South Carolina  
September 24, 2019

**WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

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**Assets**

<b>Current assets</b>	
Cash and cash equivalents	\$ 543,717
Due from Grantor	649,566
Other receivables	32,365
Prepaid expenses	64,834
	<b>1,290,482</b>
<b>Total current assets</b>	<b>1,290,482</b>
Property, equipment, and improvements, net	3,023,112
	<b>3,023,112</b>
<b>Total assets</b>	<b>\$ 4,313,594</b>

**Liabilities and Net Assets**

<b>Current liabilities</b>	
Accounts payable	\$ 85,823
Rental deposits	4,759
Deferred revenues	517,819
Other accrued expenses	514,983
Due to Grantor	890
Current portion of note payable	82,655
	<b>1,206,929</b>
<b>Total current liabilities</b>	<b>1,206,929</b>
Long-term note payable, net	1,305,799
	<b>1,305,799</b>
<b>Total liabilities</b>	<b>2,512,728</b>
<b>Net assets</b>	
Without donor restriction	1,800,866
With donor restriction	-
	<b>1,800,866</b>
<b>Total net assets</b>	<b>1,800,866</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,313,594</b>

**See Notes to Financial Statements.**

**WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
<b>Support and revenue</b>			
Federal grants and contracts	\$ 6,989,279	\$ -	\$ 6,989,279
State grants and contracts	4,807,176	-	4,807,176
Rental revenue	141,055	-	141,055
Local revenue	6,399	-	6,399
In-kind contributions	2,106,963	-	2,106,963
Total support	<u>14,050,872</u>	<u>-</u>	<u>14,050,872</u>
Interest income	252	-	252
Fundraising	595	-	595
Total revenue	<u>847</u>	<u>-</u>	<u>847</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>14,051,719</u>	<u>-</u>	<u>14,051,719</u>
<b>Expenses</b>			
Program services (less indirect costs):			
Head Start	7,141,080	-	7,141,080
Early Head Start	772,682	-	772,682
Summer Food	155,360	-	155,360
Weatherization	486,218	-	486,218
LIHEAP	3,123,243	-	3,123,243
CSBG	839,300	-	839,300
Childcare Food	533,839	-	533,839
Other Programs	34,796	-	34,796
Total program services	<u>13,086,518</u>	<u>-</u>	<u>13,086,518</u>
Supporting services:			
General and administrative	27,166	-	27,166
Building Fund	67,152	-	67,152
Indirect Cost	872,277	-	872,277
Depreciation	155,784	-	155,784
Total program services	<u>1,122,379</u>	<u>-</u>	<u>1,122,379</u>
<b>Total expenses</b>	<u>14,208,897</u>	<u>-</u>	<u>14,208,897</u>
CHANGE IN NET ASSETS	(157,178)	-	(157,178)
NET ASSETS, BEGINNING	<u>1,958,044</u>	<u>-</u>	<u>1,958,044</u>
NET ASSETS, ENDING	<u>\$ 1,800,866</u>	<u>\$ -</u>	<u>\$ 1,800,866</u>

**See Notes to Financial Statements.**

**WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Program Services								Total Program Services
	Head Start	Early Head Start	Summer Food	Weatherization	LIHEAP	CSGB	Childcare Food	Other Programs	
Salaries	\$ 2,963,737	\$ 477,508	\$ 42,714	\$ 191,895	\$ 331,808	\$ 331,812	\$ 139,426	\$ 8,612	\$ 4,487,512
Employee benefits	1,241,601	197,190	12,842	72,410	134,463	135,204	93,454	2,616	1,889,780
Contractual services	-	-	1,100	84,466	-	-	-	-	85,566
Dues and subscriptions	2,060	-	-	-	-	120	-	-	2,180
Travel	43,569	4,010	1,772	6,108	1,688	2,545	-	-	59,692
Training and technical assistance	70,456	15,425	-	21,031	4,816	10,034	-	-	121,762
Rent	4,149	37,917	-	27,125	37,735	37,735	-	-	144,661
Utilities	124,066	52	23	3,638	3,969	3,873	-	-	135,621
Insurance	64,932	4,109	-	8,459	3,533	3,885	2,248	-	87,166
Weatherization materials	-	-	-	4,238	-	-	-	-	4,238
Transportation cost	74,221	1,662	2,840	7,261	1,524	4,463	-	741	92,712
Maintenance and janitorial	223,002	9,814	-	6,815	6,534	7,254	-	-	253,419
Supplies	54,439	16,282	1,988	4,650	3,283	18,127	19,083	314	118,166
Printing, postage, and production	5,120	-	11	74	2	70	-	-	5,277
Food purchase and allowances	1,423	-	92,068	-	-	-	279,628	-	373,119
Equipment and leasing	44,256	3,133	-	1,906	3,134	4,415	-	-	56,844
Telephone	33,447	3,416	2	9,032	11,045	11,121	-	-	68,063
Taxes and licenses	-	-	-	-	-	-	-	-	-
Client assistance	23,666	2,164	-	37,110	2,579,684	267,051	-	16,198	2,925,873
Miscellaneous	6,465	-	-	-	25	1,591	-	6,315	14,396
Interest	36,687	-	-	-	-	-	-	-	36,687
In-kind expenses	2,106,963	-	-	-	-	-	-	-	2,106,963
<b>Total expenses before depreciation and transfers</b>	<b>7,124,259</b>	<b>772,682</b>	<b>155,360</b>	<b>486,218</b>	<b>3,123,243</b>	<b>839,300</b>	<b>533,839</b>	<b>34,796</b>	<b>13,069,697</b>
Depreciation	-	-	-	-	-	-	-	-	-
Indirect costs	584,743	93,211	7,945	35,654	61,716	61,717	25,933	1,602	872,521
Transfers	16,821	-	-	-	-	-	-	-	16,821
<b>Total functional expenses</b>	<b>\$ 7,725,823</b>	<b>\$ 865,893</b>	<b>\$ 163,305</b>	<b>\$ 521,872</b>	<b>\$ 3,184,959</b>	<b>\$ 901,017</b>	<b>\$ 559,772</b>	<b>\$ 36,398</b>	<b>\$13,959,039</b>

**See Notes to Financial Statements.**

**WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Total Program Services	Support Services			Total Support Services	Total
		Building Fund	General and Administrative	Indirect Cost Pool		
Salaries	\$ 4,487,512	\$ -	\$ -	\$ 488,413	\$ 488,413	\$ 4,975,925
Employee benefits	1,889,780	-	-	163,944	163,944	2,053,724
Contractual services	85,566	-	-	19,000	19,000	104,566
Dues and subscriptions	2,180	3,200	-	6,233	9,433	11,613
Travel	59,692	-	-	27,966	27,966	87,658
Training and technical assistance	121,762	-	-	18,399	18,399	140,161
Rent	144,661	-	-	46,189	46,189	190,850
Utilities	135,621	3,841	-	5,842	9,683	145,304
Insurance	87,166	6,148	81	13,672	19,901	107,067
Weatherization materials	4,238	-	-	-	-	4,238
Transportation cost	92,712	-	-	7,851	7,851	100,563
Maintenance and janitorial	253,419	39,249	-	9,982	49,231	302,650
Supplies	118,166	704	896	18,979	20,579	138,745
Printing, postage, and production	5,277	-	-	7,520	7,520	12,797
Food purchase and allowances	373,119	-	-	-	-	373,119
Equipment and leasing	56,844	5,960	-	4,475	10,435	67,279
Telephone	68,063	-	-	12,628	12,628	80,691
Taxes and licenses	-	800	-	-	800	800
Client assistance	2,925,873	-	-	68	68	2,925,941
Miscellaneous	14,396	5,220	26,189	21,116	52,525	66,921
Interest	36,687	18,851	-	-	18,851	55,538
In-kind expenses	2,106,963	-	-	-	-	2,106,963
Total expenses before depreciation and transfers	13,069,697	83,973	27,166	872,277	983,416	14,053,113
Depreciation	-	155,784	-	-	155,784	155,784
Indirect costs	872,521	-	-	(872,521)	(872,521)	-
Transfers	16,821	(16,821)	-	-	(16,821)	-
Total functional expenses	<u>\$13,959,039</u>	<u>\$ 222,936</u>	<u>\$ 27,166</u>	<u>\$ (244)</u>	<u>\$ 249,858</u>	<u>\$14,208,897</u>

See Notes to Financial Statements.



**WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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<b>OPERATING ACTIVITIES</b>	
Change in net assets	\$ (157,178)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	155,784
(Increase) decrease in operating assets:	
Due from grantor	71,062
Other receivables	(213)
Prepaid expenses	3,009
Increase (decrease) in operating liabilities:	
Accounts payable	(139,698)
Deferred revenues	172,503
Due to grantor	660
Other accrued expenses	(67,460)
	<u>38,469</u>
Net cash provided by operating activities	<u>38,469</u>
<b>INVESTING ACTIVITIES</b>	
Purchase of property, equipment and improvements	<u>(60,816)</u>
<b>FINANCING ACTIVITIES</b>	
Payments on notes payable	<u>(84,216)</u>
Decrease in cash and cash equivalents	(106,563)
Cash and cash equivalents, beginning of year	<u>650,280</u>
Cash and cash equivalents, end of year	<u>\$ 543,717</u>
Supplemental Disclosures for Cash Flow Information	
Cash payments for interest	<u>\$ 55,538</u>

**See Notes to Financial Statements.**

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Waccamaw Economic Opportunity Council, Inc. (the "Organization") was organized as a non-profit corporation under the laws of the State of South Carolina on December 6, 1965. The purpose and function of the Organization is to administer Federal and State programs that provide comprehensive health, educational, nutritional, social, and other services to low income families in Horry, Williamsburg and Georgetown counties. The Organization receives funding from several federal and state grants as well as local contributions.

The Organization's method of financing comes primarily from grants received, with the purpose of each grant aimed toward continuing the overall purpose of the Organization. The following is a brief description of the purpose of each grant program administered by Waccamaw Economic Opportunity Council, Inc., along with the federal Organization through which the funds are originally provided.

- i. *Head Start Program* – Funds for child development programs to serve low-income children and their families. Federal Agency: Department of Health and Human Services.
- ii. *Child and Adult Care Food Program (USDA)* – Funds provided to assist in making breakfast and lunch available to disadvantaged children. Federal Agency: United States Department of Agriculture.
- iii. *Weatherization Assistance for Low-Income Persons* – Funds provided for the purpose of conserving energy and reducing the impact of rising energy costs on low-income persons, particularly the elderly and handicapped, through installation of energy conserving measures in their dwellings. Federal Agency: Department of Energy.
- iv. *Low-Income Home Energy Assistance (LIHEAP)* – Funds provided to assist eligible households in meeting the costs of home energy (a source of heating or cooling in residential dwellings). Federal Agency: Department of Energy.
- v. *Community Services Block Grant (CSBG)* – Funds provided to assist in eliminating the causes and consequences of poverty. Federal Agency: Department of Health and Human Services.

**Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Agency have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Significant Accounting Policies (Continued)**

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: nets assets without donor restriction and net assets with donor restriction.

**Net Assets Without Donor Restriction** – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing service, and receiving interest from operating investment, less expenses incurred for providing program related services, raising contributions and performing administrative functions.

**Net Assets With Donor Restrictions** – The net assets result from gifts of cash or other assets that are received with donor stipulation that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

It is the Organization’s policy to report donor restricted contributions whose restrictions are met in the same reporting period in which the contributions are recognized as an increase in net assets without donor restriction.

**Cash and Cash Equivalents**

Cash equivalents consist of short-term, highly liquid investments, which are readily convertible into cash within ninety (90) days of purchase.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with restriction depending on the nature of the restrictions. When a restriction expires, net assets with restriction are reclassified to net assets without restriction.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Significant Accounting Policies (Continued)**

**Promises to Give (continued)**

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are recorded as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the organization reports expirations of donor restrictions when construction expenditures are incurred or when the donated long-lived assets are placed in service.

**Contributed Materials, Services and Space (In-Kind)**

The Organization receives significant amounts of contributed materials, services and space in relation to its Headstart Program. Under ASC 958-605-15 *Revenue Recognition*, the service contributions are recognized as in-kind contributions if the services either create or enhance a non-financial asset, or require specialized skills that are provided by entities or persons possessing those skills and would need to be purchased if they were not contributed. These in-kind contributions are recorded as revenues and expenses at their estimated value at the date of contribution.

**Property, Equipment, and Improvements**

Purchased property and equipment is capitalized at cost; donated assets are recorded as contributions at their estimated fair value on the date donated. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Certain property was purchased with government grants and restrictive finance agreements; if these assets were sold or not used for their intended charitable purpose repayment may be required. All assets are depreciated over estimated useful lives on a straight line basis. Repairs and maintenance and small equipment purchases are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized.

Estimated useful lives are as follows:

	<u>Years</u>
Buildings and improvements	30
Leasehold improvements	10-30
Furniture and equipment	5-10
Vehicles	8

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Significant Accounting Policies (Continued)**

**Property, Equipment, and Improvements (Continued)**

**Consumable Supplies Inventories**

Costs for food and operating supplies are treated as expenditures of the grant in the period the costs are incurred. The cost of any such supplies on hand at program year-end is not reported as an asset of the program for financial statement purposes

**Revenue Recognition**

For cost reimbursement grants, revenue is carried upon the occurrence of allowable costs. For grants under the advance/letter of credit draw down arrangements, revenue is earned based on draw down limitations and schedules stipulated by the funding source. However, proper matching of revenues with expenditures will prevail in the timing of revenue recognition.

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. The exemption is on all income except unrelated business income as noted under Section 511 of the Internal Revenue Code. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose.

The most significant tax position of the Organization is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax, ("UBIT"). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Organization's Forms 990 and 990T for 2009 through 2017 are open to examination by the Internal Revenue Service as of December 31, 2018.

**Compensated Absences**

Employees of the Organization are entitled to paid vacation, paid sick days and personal days off, depending on several factors. The amount of compensation for future absences is not accrued because the Organization is only obligated to pay it upon termination if there is an amount available in the program budget and money available to pay it. Accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to the employee. The accrued liability is estimated to be \$202,092 at December 31, 2018.

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Deferred Revenues**

Grants received in advance for future expenditures are recorded as deferred revenue. Recognition as revenue occurs when the event takes place.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting activities using the objective base such as time spent, salaries, square feet, and other.

**Indirect Cost Rate**

The Organization computes its indirect cost rate using the direct allocation method. That method is used because all of the Organization's direct program activities received services from all of its administrative activities in approximately the same degree. Under the method, total indirect costs are the excess of total allowable administrative expenses over those administrative costs charged directly to programs. A single rate is computed by relating the cost associated with its direct activities. Significant cost principles used in computing the rate are as follows:

- a) The indirect cost base is composed of direct salaries and wages including vacation, holiday and sick pay.
- b) A fringe benefit rate is not used. Fringe benefits applicable to direct salaries and wages are charged to the respective programs as direct costs.

**Grant Balances and Conditions**

The Organization receives a substantial amount of its support from grant funds. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the Organization's programs and activities. The Organization has responsibility for expending grant funds in accordance with specific instructions from funding sources. Any deficits resulting from over expenditures and/or questioned costs are the responsibility of the Organization. At the discretion of the various funding sources, funds would be transferred among programs or supplemental funding could be provided to cover any deficits.

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Grant Balances and Conditions (continued)**

Notwithstanding the audits by independent certified public accountants, all costs included in this report remain subject to audit by the agencies providing financial support within the limit of the Uniform Guidance 2 CFR 200. The determination as to whether costs will be allowable or unallowable under the grants will be made by representatives of the funding sources having authority to make and enforce contracts.

**New Accounting Pronouncement**

During the year ended December 31, 2018, the Organization adopted the requirements of the FASB's Accounting Standards Update No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources (Note 11), and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as net assets without donor restriction are now reported as net assets without donor restrictions and amounts previously reported as net assets with donor restriction and permanently restricted net assets are now reported as net assets with donor restrictions.

**NOTE 2. CONCENTRATION OF CREDIT RISK FOR CASH HELD IN BANK**

The Organization maintains its cash and cash equivalent balances in two financial institutions. At December 31, 2018, the Organization's cash and cash equivalents exceeded federally insured limits by \$227,146.

**NOTE 3. PROPERTY, EQUIPMENT, AND IMPROVEMENTS**

December 31, 2018, the carrying value of property, equipment, and improvements and the related accumulated depreciation are as follows:

Land	\$ 417,250
Buildings	2,670,035
Leasehold Improvements	1,085,759
Equipment	391,369
Furniture	25,610
Vehicles	1,704,760
Accumulated Depreciation	<u>(3,271,671)</u>
<b>Total assets (net)</b>	<b><u>\$ 3,023,112</u></b>

Depreciation expense was \$155,784 for the year ended December 31, 2018.

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 4. RECEIVABLE FROM GRANTORS**

At December 31, 2018, receivables from grantors consisted of the following:

<b>Program</b>	
LIHEAP (SC Office of Economic Opportunity)	\$ 148,547
Childcare Food (US Department of Agriculture)	162,515
Early Head Start (Department of HHS)	81,868
Head Start (Department of HHS)	256,636
<b>Total</b>	<u><u>\$ 649,566</u></u>

**NOTE 5. NOTES PAYABLE**

Notes payable consist of the following at December 31, 2018:

Note payable secured by an office building with monthly payments of \$6,435, including interest at a rate of 4.125%. The loan matures July 31, 2023. The loan has a carrying balance of \$321,534 at December 31, 2018.

Note payable secured by an office building with monthly payments of \$596 commencing on October 14, 2014. Interest only payments of \$437 were required from September 14, 2013 through September 14, 2014. The loan matures on October 14, 2052. The interest rate is 3.50%. The loan has a carrying balance of \$141,278 at December 31, 2018.

Note payable secured by an office building with monthly payments of \$3,863 commencing on October 14, 2014. Interest only payments of \$2,785 were required from September 14, 2013 through September 14, 2014. The loan matures on October 14, 2052. The interest rate is 3.375%. The loan has a carrying balance of \$931,345 at December 31, 2018.

Aggregate maturities required on debt at December 31, 2018, are due in future years as follows:

<b>Year</b>	
2019	\$ 82,655
2021	85,998
2021	89,476
2022	93,095
2023	63,758
2024-2028	110,689
2029-2033	131,112
2034-2038	155,305
2039-2043	183,959
2044-2048	217,904
2049-2053	180,206
<b>Total</b>	<u><u>\$ 1,394,157</u></u>



**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 6. DEFERRED REVENUES**

At December 31, 2018, advances from grantors consisted of the following:

<b>Program</b>	
LIHEAP	\$ 62,193
CSBG	444,066
Weatherization	11,560
<b>Total</b>	<u>\$ 517,819</u>

**NOTE 7. ALLOCATION OF ADMINISTRATIVE COSTS**

The Organization receives reimbursement from various programs for general administrative expenses by use of an indirect cost rate established with the federal agencies. For the year ended December 31, 2018, a provisional rate of 18.60% was established. A provisional rate is a temporary rate applicable to a specific period, which is used for funding, interim reimbursement, and reporting indirect cost on awards pending establishment of the final rate.

**NOTE 8. RETIREMENT PLAN**

The South Carolina Retirement System (SCRS) is a cost sharing multiple-employer defined benefit pension plan administered by The Retirement Division of the State and Budget Control Board. The South Carolina Retirement System offers retirement and disability benefits, cost of living adjustments on an ad hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. A Comprehensive Annual Financial Report containing financial and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Systems, PO Box 11960, Columbia, SC 29211-1960. Both employees and employers are required to contribute to the Plans under authority of Title 9 of SC Code of Laws. Required contributions to the Plan are at the actuarially determined rates of 9.00% of salary for employee and ranged from 13.41% to 14.41% of salary for employer. In addition to these rates, participating employers of the South Carolina Retirement System contribute 0.15% of payroll to provide a group life insurance benefits for their participants. All employers contribute at the actuarially required contribution rates. The Organization's contributions to SCRS for the year ended December 31, 2018 was \$682,905, which is equal to the required contributions.

**NOTE 9. DONATED SERVICES AND FACILITIES**

Contributions of non-cash goods, facilities, and service are recorded at the estimated fair value on the date of the contribution. Contributions of services that (1) create or enhance non-financial assets or those that require specialized skills, (2) are provided by individuals possessing those skills, and (3) would typically need to be purchased if not provided by donation are recorded at their fair value in the period received .

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 9. DONATED SERVICES AND FACILITIES (Continued)**

In-kind contributions for the year ended December 31, 2018 consisted of the following:

Salaries and benefits	\$ 264,495
Supplies	19,707
Rent	1,822,761
<b>Total</b>	<u><u>\$ 2,106,963</u></u>

**NOTE 10. CONCENTRATION OF REVENUES**

Approximately 84% of the Organization's revenue was derived from grant revenues passed through the Department of Human Services, South Carolina Division of Economic Opportunity, and other federal, and state governments for the year ended December 31, 2018. Any future losses of these revenues would have a significant impact on the Organization's ability to continue funding these programs.

**NOTE 11. LIQUIDITY AND AVAILABILITY**

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operation, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The following table reflects the Organizations financial assets as of December 31, 2018 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Cash	\$ 543,717
Due from Grantor	649,566
Other receivables	32,365
	<u>1,225,648</u>
Less those unavailable for general expenditures with one year due to:	
Deferred revenue	<u>(517,819)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 707,829</u></u>

**NOTE 12. LINE OF CREDIT**

The Organization has entered into an unsecured \$100,000 line of credit with a national financial institution that bears an interest rate of 5.5% and matures on October 29, 2019. The outstanding balance was \$0 at December 31, 2018.

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 13. SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through September 24, 2019, the date on which the financial statements were available to be issued.

## **SINGLE AUDIT SECTION**

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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**

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**To the Board of Directors  
Waccamaw Economic Opportunity Council, Inc.  
Conway, South Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Waccamaw Economic Opportunity Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Waccamaw Economic Opportunity Council, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waccamaw Economic Opportunity Council, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Waccamaw Economic Opportunity Council, Inc.'s 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**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Columbia, South Carolina  
September 24, 2019



## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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**To the Board of Directors  
Waccamaw Economic Opportunity Council, Inc.  
Conway, South Carolina**

### **Report on Compliance for Each Major Federal Program**

We have audited Waccamaw Economic Opportunity Council, Inc. compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Waccamaw Economic Opportunity Council, Inc.'s major federal programs for the year ended December 31, 2018. Waccamaw Economic Opportunity Council, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with 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 Waccamaw Economic Opportunity Council, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether 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 Waccamaw Economic Opportunity Council, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Waccamaw Economic Opportunity Council, Inc.'s compliance.

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### ***Opinion on Each Major Federal Program***

In our opinion, Waccamaw Economic Opportunity Council, Inc. 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 December 31, 2018.

### **Report on Internal Control Over Compliance**

Management of Waccamaw Economic Opportunity Council, Inc. 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 Waccamaw Economic Opportunity Council, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waccamaw Economic Opportunity Council, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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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.

*Mauldin & Jenkins, LLC*

Columbia, South Carolina  
September 24, 2019

**Waccamaw Economic Opportunity Council, Inc.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2018**

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<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>US Department of Health and Human Services</u>		
Direct Award:		
Head Start	93.600	\$ 5,618,860
Early Head Start	93.600	865,892
Sub-Total		<u>6,484,752 *</u>
Passed Through State Department of Human Resources:		
Low-Income Home Energy Assistance	93.568	<u>3,184,959 *</u>
Community Service Block Grant	93.569	<u>901,017</u>
Total US Department of Health and Human Services		<u>10,570,728</u>
<u>US Department of Energy</u>		
Passed Through South Carolina Division of Economic Opportunity:		
Weatherization Assistance for Low-Income Persons	81.042	<u>522,974</u>
Sub-Total		<u>522,974</u>
<u>US Department of Agriculture</u>		
Passed Through South Carolina Department of Social Services:		
Child and Adult Care Food	10.558	<u>496,401</u>
Child Nutrition Cluster		
Summer Food Service - Program for Children	10.559	<u>163,277</u>
Total US Department of Agriculture		<u>659,678</u>
Total Expenditures of Federal Awards		<u>\$ 11,753,380</u>

\* Indicates Major Program

**Waccamaw Economic Opportunity Council, Inc.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2018**

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**NOTE 1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Waccamaw Economic Opportunity Council, Inc. under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Waccamaw Economic Opportunity Council, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Waccamaw Economic Opportunity Council, Inc..

**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.

**NOTE 3. INDIRECT COST RATE**

Waccamaw Economic Opportunity Council, Inc. has elected not to use the 10% de Minimis cost rate as allowed under the Uniform Guidance.

**Waccamaw Economic Opportunity Council, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2018**

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**I. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of report the auditor issued on whether the financial statements were presented in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?      \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?      \_\_\_\_\_ Yes        X   None Reported

Noncompliance material to financial statements noted?      \_\_\_\_\_ Yes        X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?      \_\_\_\_\_ Yes        X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?      \_\_\_\_\_ 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 2 CFR Section 200.516(a)?      \_\_\_\_\_ Yes        X   No

*Identification of major programs*

CFDA No. 93.568      LIHEAP  
CFDA No. 93.600      Head Start

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

Auditee qualified as low-risk auditee?      \_\_\_\_\_ Yes        X   No

**Waccamaw Economic Opportunity Council, Inc.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2018**

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**II. FINANCIAL STATEMENT FINDINGS**

NONE REPORTED.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE REPORTED.

**Waccamaw Economic Opportunity Council, Inc.  
SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED DECEMBER 31, 2018**

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**II. FINANCIAL STATEMENT FINDINGS**

NONE REPORTED.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

NONE REPORTED.