

**WACCAMAW ECONOMIC
OPPORTUNITY COUNCIL, INC.**

FINANCIAL REPORT

DECEMBER 31, 2019

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

FINANCIAL REPORT DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

**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, 2019, and the related statements 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.

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, 2019, 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.

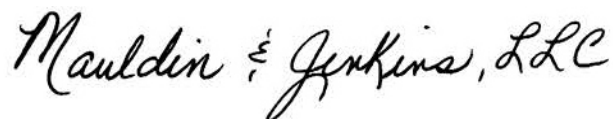
Other Matters

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 24 and 25, 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* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2020, 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.



Columbia, South Carolina
July 31, 2020

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

<u>Assets</u>	
Current assets	
Cash and cash equivalents	\$ 536,338
Grant receivable	622,677
Other receivables	33,456
Prepaid expenses	74,352
	<hr/>
Total current assets	1,266,823
	<hr/>
Noncurrent assets	
Property, equipment, and improvements, net	3,162,331
	<hr/>
Total assets	\$ 4,429,154
	<hr/> <hr/>
<u>Liabilities and Net Assets</u>	
Current liabilities	
Accounts payable	\$ 149,275
Rental deposits	4,759
Deferred revenues	365,616
Other accrued expenses	544,772
Due to grantor	1,299
Current portion of notes payable	85,999
	<hr/>
Total current liabilities	1,151,720
	<hr/>
Non-current liabilities	
Long-term notes payable	1,225,757
Loan costs, net	(4,805)
	<hr/>
Total non-current liabilities	1,220,952
	<hr/>
Total liabilities	2,372,672
	<hr/>
Net assets	
Without donor restrictions	2,056,482
	<hr/>
Total liabilities and net assets	\$ 4,429,154
	<hr/> <hr/>

See Notes to Financial Statements.

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Support and revenue			
Federal grants and contracts	\$ 7,716,801	\$ -	\$ 7,716,801
State grants and contracts	4,994,285	-	4,994,285
Rental revenue	148,021	-	148,021
Local revenue	6,401	-	6,401
In-kind contributions	2,246,468	-	2,246,468
Total support	15,111,976	-	15,111,976
Interest income	6	-	6
Fundraising	9,356	-	9,356
Total revenue	9,362	-	9,362
Total support and revenue	15,121,338	-	15,121,338
Expenses			
Program services			
(less capitalized expenses):			
Head Start	7,522,058	-	7,522,058
Early Head Start	792,290	-	792,290
Summer Food	130,506	-	130,506
Weatherization	430,055	-	430,055
LIHEAP	3,423,520	-	3,423,520
CSBG	914,583	-	914,583
Childcare Food	497,100	-	497,100
Other Programs	43,384	-	43,384
Indirect Cost (All Program Services)	899,512	-	899,512
Total program services	14,653,008	-	14,653,008
Supporting services:			
General and administrative	13,741	-	13,741
Building Fund	50,390	-	50,390
Depreciation and amortization	148,583	-	148,583
Total supporting services	212,714	-	212,714
Total expenses	14,865,722	-	14,865,722
Change in net assets	255,616	-	255,616
Net assets, beginning	1,800,866	-	1,800,866
Net assets, ending	\$ 2,056,482	\$ -	\$ 2,056,482

See Notes to Financial Statements.

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services								Total
	Head Start	Early Head Start	Summer Food	Weatherization	LIHEAP	CSGB	Childcare Food	Other Programs	Program Services
Salaries	\$ 3,059,862	\$ 476,260	\$ 16,857	\$ 192,366	\$ 364,339	\$ 360,076	\$ 132,190	\$ 11,975	\$ 4,613,925
Employee benefits	1,378,257	226,290	4,813	74,962	152,747	153,473	57,167	3,236	2,050,945
Contractual services	-	-	9,020	83,583	-	-	-	-	92,603
Dues and subscriptions	637	-	-	-	-	85	-	-	722
Travel	46,539	5,889	-	1,893	1,610	4,227	-	-	60,158
Training and technical assistance	59,394	14,197	-	12,820	4,954	12,149	-	-	103,514
Rent	22,910	35,500	-	17,259	37,806	37,805	-	-	151,280
Utilities	108,596	-	-	1,537	3,702	3,654	-	-	117,489
Insurance	68,011	4,902	570	6,000	1,561	7,807	2,277	-	91,128
Weatherization materials	-	-	-	2,791	-	-	-	29	2,820
Transportation cost	68,079	2,072	2,528	5,045	1,594	3,233	-	328	82,879
Maintenance and janitorial	271,034	7,358	-	3,538	6,745	10,728	-	-	299,403
Supplies	44,988	12,382	5,076	4,005	9,503	26,802	20,455	-	123,211
Printing, postage, and production	8,097	-	-	36	611	90	-	-	8,834
Food purchase and allowances	2,749	-	85,321	-	-	-	285,011	-	373,081
Equipment and leasing	191,162	2,880	6,321	1,195	76,240	10,400	-	100,000	388,198
Telephone	37,469	3,068	-	6,793	4,665	18,349	-	-	70,344
Taxes and licenses	-	-	-	-	-	-	-	-	-
Client assistance	19,004	1,492	-	16,144	2,750,703	267,795	-	23,354	3,078,492
Miscellaneous	6,780	-	-	88	6,740	1,549	-	4,462	19,619
Interest	36,108	-	-	-	-	-	-	-	36,108
In-kind expenses	2,246,468	-	-	-	-	-	-	-	2,246,468
Total expenses before depreciation and transfers	7,676,144	792,290	130,506	430,055	3,423,520	918,222	497,100	143,384	14,011,221
Depreciation and amortization	-	-	-	-	-	-	-	-	-
Indirect costs	610,455	88,584	3,135	35,783	67,767	66,974	24,587	2,227	899,512
Transfers	17,400	-	-	-	-	-	-	-	17,400
Total expenses before capitalization of equipment	8,303,999	880,874	133,641	465,838	3,491,287	985,196	521,687	145,611	14,928,133
Less equipment capitalized that has satisfied restricted purpose	(171,486)	-	-	-	-	(3,639)	-	(100,000)	(275,125)
Total expenses	\$ 8,132,513	\$ 880,874	\$ 133,641	\$ 465,838	\$ 3,491,287	\$ 981,557	\$ 521,687	\$ 45,611	\$14,653,008

See Notes to Financial Statements.

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Total Program Services	Supporting Services			Total Supporting Services	Total
		Building Fund	General and Administrative	Indirect Cost Pool		
Salaries	\$ 4,613,925	\$ -	\$ -	\$ 486,799	\$ 486,799	\$ 5,100,724
Employee benefits	2,050,945	-	-	173,114	173,114	2,224,059
Contractual services	92,603	-	-	37,692	37,692	130,295
Dues and subscriptions	722	3,200	-	5,461	8,661	9,383
Travel	60,158	-	-	46,041	46,041	106,199
Training and technical assistance	103,514	-	-	20,679	20,679	124,193
Rent	151,280	-	-	44,990	44,990	196,270
Utilities	117,489	4,629	-	4,759	9,388	126,877
Insurance	91,128	6,863	-	14,020	20,883	112,011
Weatherization materials	2,820	-	-	-	-	2,820
Transportation cost	82,879	-	-	6,192	6,192	89,071
Maintenance and janitorial	299,403	24,527	141	10,257	34,925	334,328
Supplies	123,211	2,194	859	21,575	24,628	147,839
Printing, postage, and production	8,834	-	-	6,256	6,256	15,090
Food purchase and allowances	373,081	-	1,500	-	1,500	374,581
Equipment and leasing	388,198	18,225	-	1,307	19,532	407,730
Telephone	70,344	-	-	12,932	12,932	83,276
Taxes and licenses	-	800	-	-	800	800
Client assistance	3,078,492	-	-	34	34	3,078,526
Miscellaneous	19,619	6,919	11,241	6,854	25,014	44,633
Interest	36,108	12,213	-	-	12,213	48,321
In-kind expenses	2,246,468	-	-	-	-	2,246,468
Total expenses before depreciation and transfers	14,011,221	79,570	13,741	898,962	992,273	15,003,494
Depreciation and amortization	-	148,583	-	-	148,583	148,583
Indirect costs	899,512	-	-	(898,962)	(898,962)	550
Transfers	17,400	(17,400)	-	-	(17,400)	-
Total expenses before capitalization of equipment	14,928,133	210,753	13,741	-	224,494	15,152,627
Less equipment capitalized that has satisfied restricted purpose	(275,125)	(11,780)	-	-	(11,780)	(286,905)
Total expenses	<u>\$14,653,008</u>	<u>\$ 198,973</u>	<u>\$ 13,741</u>	<u>\$ -</u>	<u>\$ 212,714</u>	<u>\$14,865,722</u>

See Notes to Financial Statements.

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Operating Activities

Change in net assets	\$ 255,616
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	148,583
(Increase) decrease in operating assets:	
Grant receivable	26,889
Other receivables	(1,091)
Prepaid expenses	(9,518)
Increase (decrease) in operating liabilities:	
Accounts payable	63,452
Deferred revenues	(152,203)
Due to grantor	409
Other accrued expenses	29,789
Net cash provided by operating activities	<u>361,926</u>

Investing Activities

Purchase of property, equipment and improvements	<u>(286,904)</u>
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Financing Activities

Payments on notes payable	<u>(82,401)</u>
Decrease in cash and cash equivalents	(7,379)
Cash and cash equivalents, beginning of year	<u>543,717</u>
Cash and cash equivalents, end of year	<u><u>\$ 536,338</u></u>

Supplemental Disclosures for Cash Flow Information

Cash payments for interest	<u><u>\$ 48,321</u></u>
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See Notes to Financial Statements.

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS

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 economic development, 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 Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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: net 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. At December 31, 2019, the Organization did not have any net assets with donor restrictions.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS

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

Significant Accounting Policies (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 2010 through 2018 are open to examination by the Internal Revenue Service as of December 31, 2019.

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 \$216,872 at December 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS

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

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 Organization's various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and functional expenses. The Organization reports certain categories of expenses that are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries, employee benefits, contract services, telephone and depreciation expenses include certain expenses that are allocated on the basis of estimates of time and effort. Occupancy expenses are allocated among functional areas based on square footage and headcount.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

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.

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.

Recent Accounting Pronouncements

FASB issued two Accounting Standards Updates that will affect the Organization's revenue recognition. The first, Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this ASU is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the good or services. This ASU requires entities to make new judgements and estimates and provide expanded disclosures about revenue. The second, ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. The Organization will adopt both at the same time, because adopting one ASU without the other would leave the accounting for some ongoing grants and contracts unresolved. For the year ending December 31, 2019, the Organization adopted ASU No. 2014-09 and ASU No. 2018-08 and has adjusted the presentation in these financial statements accordingly. The Organization recognizes contribution revenue and grant revenues in accordance with FASB ASC Topic 606 and Topic 958. The adoption of ASU No. 2014-09 and ASU No. 2018-08 did not have an impact on the timing of the revenue recognition for the Organization.

NOTES TO THE FINANCIAL STATEMENTS

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

Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05 to allow for the deferral of the implementation date of ASU 2016-02 to fiscal years beginning after December 15, 2021, for not-for-profits. ASU 2016-02 was originally effective for not-for-profits that have not issued financial statements (or made available for issuance) for fiscal years beginning after December 15, 2019. The Organization is assessing the impact the new guidance will have on its financial statements.

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

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash accounts at financial institutions. At December 31, 2019, the Organization's cash and cash equivalents exceeded federally insured limits by \$227,146 but was fully collateralized. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 3. PROPERTY, EQUIPMENT, AND IMPROVEMENTS

At December 31, 2019, 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		1,097,539
Equipment		396,276
Furniture		25,610
Vehicles		1,974,979
	\$	6,581,689
Accumulated depreciation		(3,419,358)
Total property, equipment and improvements (net)	\$	3,162,331

Depreciation expense was \$147,685 for the year ended December 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4. GRANT RECEIVABLE

At December 31, 2019, grants receivable consisted of the following:

Weatherization (SC Office of Economic Opportunity)	\$	57,583
Childcare Food (US Department of Agriculture)		165,001
Early Head Start (Department of HHS)		3,666
Head Start (Department of HHS)		396,427
	\$	<u>622,677</u>

NOTE 5. NOTES PAYABLE

Notes payable consist of the following at December 31, 2019:

On July 26, 2012, the Organization entered into a loan agreement 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 \$256,533 at December 31, 2019.

On September 14, 2012, the Organization entered into a loan agreement 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 \$139,035 at December 31, 2019.

On September 14, 2012, the Organization entered into a loan agreement 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 \$916,188 at December 31, 2019.

Aggregate maturities required on debt at December 31, 2019, are due in future years as follows:

Year	
2020	\$ 85,999
2021	89,476
2022	93,095
2023	63,967
2024	20,664
Thereafter	958,555
Total	<u>\$ 1,311,756</u>

Amortization expense on loan costs was \$898 for the year ended December 31, 2019.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6. DEFERRED REVENUES

At December 31, 2019, advances from grantors and rental revenue consisted of the following:

LIHEAP	\$ 105,854
CSBG	244,853
Rentals	1,560
Weatherization	13,349
	<u>\$ 365,616</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, 2019, 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 Public Employee Benefit Authority (PEBA). The SCRS 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 SCRS is issued and publicly available by writing PEBA, 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 14.41% to 15.41% of salary for employer. In addition to these rates, participating employers of the SCRS 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, 2019 was \$750,562, 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 .

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9. DONATED SERVICES AND FACILITIES (CONTINUED)

In-kind contributions for the year ended December 31, 2019, consisted of the following:

Salaries and benefits	\$ 325,639
Supplies	21,002
Rent	1,899,827
Total	<u><u>\$ 2,246,468</u></u>

NOTE 10. CONCENTRATION OF REVENUES

Approximately 82% 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, 2019. 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, 2019, 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 and cash equivalents	\$ 536,338
Grant receivable	622,677
Other receivables	33,456
	<u>1,192,471</u>

Less those unavailable for general expenditures with one year due to:

Deferred revenue	<u>(365,616)</u>
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Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 826,855</u></u>
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NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. LINES OF CREDIT

The Organization has entered into an unsecured \$100,000 line of credit with a financial institution that bears an interest rate of 4.75% and matures on October 29, 2021. The outstanding balance was \$0 at December 31, 2019.

The Organization has entered into an unsecured \$250,000 line of credit with a financial institution that bears an interest rate of the monthly LIBOR and matures on October 15, 2020. The outstanding balance was \$0 at December 31, 2019.

NOTE 13. SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2019, financial statements for subsequent events through July 31, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen could likely to impact revenues and changes in net assets. Other financial impacts could occur though the extent of such impacts is unknown at this time.

SINGLE AUDIT SECTION

**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
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, 2019, 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 July 31, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waccamaw Economic Opportunity Council, Inc.'s (the "Organization") 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 the Organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization'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.

Mauldin & Jenkins, LLC

Columbia, South Carolina
July 31, 2020

**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
Waccamaw Economic Opportunity Council, Inc.
Conway, South Carolina

Report on Compliance for Each Major Federal Program

We have audited **Waccamaw Economic Opportunity Council, Inc.'s** (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization'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 the Organization'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* (CFR) 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2019.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Organization'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.

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
July 31, 2020

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

<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	\$ 6,057,339
Early Head Start	93.600	880,874
Sub-Total		<u>6,938,213</u>
Passed Through South Carolina Division of Economic Opportunity:		
Weatherization -Low-Income Home Energy Assistance	93.568	319,254 *
Passed Through State Department of Human Resources:		
Low-Income Home Energy Assistance	93.568	3,491,287 *
Sub-Total		<u>3,810,541</u>
Community Service Block Grant	93.569	<u>985,195</u>
Total US Department of Health and Human Services		<u>11,733,949</u>
<u>US Department of Energy</u>		
Passed Through South Carolina Division of Economic Opportunity:		
Weatherization Assistance for Low-Income Persons	81.042	<u>146,581</u>
<u>US Department of Agriculture</u>		
Passed Through South Carolina Department of Social Services:		
Child and Adult Care Food	10.558	<u>537,016</u>
Child Nutrition Cluster		
Summer Food Service - Program for Children	10.559	<u>132,378</u>
Total US Department of Agriculture		<u>669,394</u>
Total Expenditures of Federal Awards		<u>\$ 12,549,924</u>

* Indicates Major Program

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

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, 2019. 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 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, 2019

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 program

CFDA No. 93.568 LIHEAP

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

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

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019

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, 2019

FINANCIAL STATEMENT FINDINGS

NONE REPORTED.

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED.