

**WACCAMAW ECONOMIC
OPPORTUNITY COUNCIL, INC.**

FINANCIAL REPORT

DECEMBER 31, 2021

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Waccamaw Economic Opportunity Council, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Waccamaw Economic Opportunity Council, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Waccamaw Economic Opportunity Council, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Waccamaw Economic Opportunity Council, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Waccamaw Economic Opportunity Council, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Waccamaw Economic Opportunity Council, Inc.'s 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
November 23, 2022

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2021

ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,318,593
Grant receivable	581,589
Other receivables	6,704
Prepaid expenses	135,927
	<hr/>
Total current assets	2,042,813
	<hr/>
Noncurrent assets	
Property, equipment, and improvements, net	3,056,852
	<hr/>
Total non current assets	3,056,852
	<hr/>
Total assets	\$ 5,099,665
	<hr/> <hr/>
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	\$ 213,738
Rental deposits	4,759
Deferred revenues	1,014,100
Other accrued expenses	531,998
Due to grantor	8,828
Current portion of notes payable	93,088
	<hr/>
Total current liabilities	1,866,511
	<hr/>
Non-current liabilities	
Long-term notes payable	1,043,647
Loan costs, net	(3,011)
	<hr/>
Total non-current liabilities	1,040,636
	<hr/>
Total liabilities	2,907,147
	<hr/>
Net assets	
Without donor restrictions	2,192,518
With donor restriction	-
	<hr/>
Total net assets	2,192,518
	<hr/>
Total liabilities and net assets	\$ 5,099,665
	<hr/> <hr/>

See Notes to Financial Statements.

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and revenue			
Federal grants and contracts	\$ 8,048,088	\$ -	\$ 8,048,088
State grants and contracts	6,819,812	-	6,819,812
Rental revenue	138,056	-	138,056
Local revenue	60,645	-	60,645
In-kind contributions	1,906,498	-	1,906,498
Total support	16,973,099	-	16,973,099
Expenses			
Program services			
(less capitalized expenses):			
Head Start	7,802,370	-	7,802,370
Early Head Start	836,090	-	836,090
Summer Food	143,976	-	143,976
Weatherization	408,547	-	408,547
LIHEAP	4,569,638	-	4,569,638
CSBG	1,593,948	-	1,593,948
Childcare Food	323,884	-	323,884
Other Programs	12,162	-	12,162
Indirect Cost (All Program Services)	940,000	-	940,000
Total program services	16,630,615	-	16,630,615
Supporting services:			
General and administrative	5,169	-	5,169
Indirect cost	10,699	-	10,699
Building Fund	96,127	-	96,127
Depreciation and amortization	181,203	-	181,203
Total supporting services	293,198	-	293,198
Total expenses	16,923,813	-	16,923,813
Change in net assets	49,286	-	49,286
Net assets, beginning	2,143,232	-	2,143,232
Net assets, ending	\$ 2,192,518	\$ -	\$ 2,192,518

See Notes to Financial Statements.

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services								Total Program Services
	Head Start	Early Head Start	Summer Food	Weatherization	LIHEAP	CSGB	Childcare Food	Other Programs	
Salaries	\$ 3,304,020	\$ 486,647	\$ 35,273	\$ 195,742	\$ 463,425	\$ 463,558	\$ 105,097	\$ -	\$ 5,053,762
Employee benefits	1,421,355	206,236	10,943	79,497	180,218	162,496	40,877	-	2,101,622
Contractual services	7,450	-	8,040	39,676	-	-	-	-	55,166
Dues and subscriptions	10,590	-	-	107	126	673	-	-	11,496
Travel	12,645	3,011	191	1,241	414	2,754	-	-	20,256
Training and technical assistance	69,845	16,421	-	8,903	4,001	8,803	-	3,424	111,397
Rent	18,133	33,367	-	16,356	37,910	38,530	-	-	144,296
Utilities	101,116	-	-	1,134	3,360	3,024	-	-	108,634
Insurance	100,548	5,990	-	6,509	4,682	4,918	2,368	-	125,015
Weatherization materials	-	-	-	1,914	-	-	-	-	1,914
Transportation cost	55,615	2,260	2,861	5,254	2,326	5,768	-	-	74,084
Maintenance and janitorial	378,330	30,089	12	3,279	7,151	10,594	-	-	429,455
Supplies	147,995	42,535	3,213	3,948	15,725	27,641	13,468	19,431	273,956
Printing, postage, and production	8,060	12	-	9	3,240	623	-	-	11,944
Food purchase and allowances	29,778	-	75,268	-	-	-	162,074	-	267,120
Equipment and leasing	233,046	3,242	8,175	1,305	8,389	16,265	-	-	270,422
Telephone	31,302	3,888	-	6,582	11,750	11,222	-	-	64,744
Taxes and licenses	-	-	-	-	-	-	-	-	-
Client assistance	16,231	2,366	-	37,091	3,823,773	842,544	-	4,070	4,726,075
Miscellaneous	12,400	26	-	-	3,148	459	-	6,637	22,670
Interest	34,889	-	-	-	-	-	-	-	34,889
In-kind expenses	1,906,498	-	-	-	-	-	-	-	1,906,498
Total expenses before depreciation and transfers	7,899,846	836,090	143,976	408,547	4,569,638	1,599,872	323,884	33,562	15,815,415
Depreciation and amortization	-	-	-	-	-	-	-	-	-
Indirect costs	614,548	90,516	6,561	36,408	86,197	86,222	19,548	-	940,000
Transfers	18,620	-	-	-	-	-	-	-	18,620
Total expenses before capitalization of equipment	8,533,014	926,606	150,537	444,955	4,655,835	1,686,094	343,432	33,562	16,774,035
Less equipment capitalized that has satisfied restricted purpose	(116,096)	-	-	-	-	(5,924)	-	(21,400)	(143,420)
Total expenses	<u>\$ 8,416,918</u>	<u>\$ 926,606</u>	<u>\$ 150,537</u>	<u>\$ 444,955</u>	<u>\$ 4,655,835</u>	<u>\$ 1,680,170</u>	<u>\$ 343,432</u>	<u>\$ 12,162</u>	<u>\$ 16,630,615</u>

(Continued)

See Notes to Financial Statements.

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Total Program Services	Supporting Services			Total Supporting Services	Total
		Building Fund	General and Administrative	Indirect Cost Pool		
Salaries	\$ 5,053,762	\$ -	\$ -	\$ 529,802	\$ 529,802	\$ 5,583,564
Employee benefits	2,101,622	-	-	190,281	190,281	2,291,903
Contractual services	55,166	-	-	29,189	29,189	84,355
Dues and subscriptions	11,496	3,534	495	13,830	17,859	29,355
Travel	20,256	-	-	10,767	10,767	31,023
Training and technical assistance	111,397	-	-	35,519	35,519	146,916
Rent	144,296	-	1,700	47,429	49,129	193,425
Utilities	108,634	4,361	-	4,503	8,864	117,498
Insurance	125,015	8,482	-	23,007	31,489	156,504
Weatherization materials	1,914	-	-	62	62	1,976
Transportation cost	74,084	-	-	7,707	7,707	81,791
Maintenance and janitorial	429,455	58,870	-	9,151	68,021	497,476
Supplies	273,956	19	-	4,742	4,761	278,717
Printing, postage, and production	11,944	-	-	4,378	4,378	16,322
Food purchase and allowances	267,120	-	-	-	-	267,120
Equipment and leasing	270,422	89	-	10,112	10,201	280,623
Telephone	64,744	-	-	11,241	11,241	75,985
Taxes and licenses	-	1,612	-	-	1,612	1,612
Client assistance	4,726,075	-	405	619	1,024	4,727,099
Miscellaneous	22,670	31,227	2,569	16,611	50,407	73,077
Interest	34,889	6,553	-	-	6,553	41,442
In-kind expenses	1,906,498	-	-	-	-	1,906,498
Total expenses before depreciation and transfers	15,815,415	114,747	5,169	948,950	1,068,866	16,884,281
Depreciation and amortization	-	181,203	-	-	181,203	181,203
Indirect costs	940,000	-	-	(938,251)	(938,251)	1,749
Transfers	18,620	(18,620)	-	-	(18,620)	-
Total expenses before capitalization of equipment	16,774,035	277,330	5,169	10,699	293,198	17,067,233
Less equipment capitalized that has satisfied restricted purpose	(143,420)	-	-	-	-	(143,420)
Total expenses	\$ 16,630,615	\$ 277,330	\$ 5,169	\$ 10,699	\$ 293,198	\$ 16,923,813

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2021

Operating Activities	
Change in net assets	\$ 49,286
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	181,203
(Increase) decrease in operating assets:	
Grant receivable	95,686
Other receivables	18,606
Prepaid expenses	(64,981)
Increase (decrease) in operating liabilities:	
Accounts payable	(173,641)
Deferred revenues	(186,082)
Due to grantor	2,805
Other accrued expenses	56,561
	<hr/>
Net cash used in operating activities	(20,557)
Investing Activities	
Purchase of property, equipment and improvements	<hr/> (150,310)
Net cash (used in) investing activities	<hr/> (150,310)
Financing Activities	
Payments on notes payable	<hr/> (89,279)
Decrease in cash and cash equivalents	(260,146)
Cash and cash equivalents, beginning of year	<hr/> 1,578,739
Cash and cash equivalents, end of year	<hr/> <hr/> \$ 1,318,593
Supplemental Disclosures for Cash Flow Information	
Cash payments for interest	<hr/> <hr/> \$ 41,442

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

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 restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions – 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, 2021, 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 Head Start 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 2012 through 2020 are open to examination by the Internal Revenue Service as of December 31, 2021.

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 \$241,274 at December 31, 2021.

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

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

The FASB recently issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. The term nonfinancial asset includes fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets.

NOTES TO THE FINANCIAL STATEMENTS

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

Recent Accounting Pronouncements (Continued)

A not-for-profit entity also is required to disclose contributed nonfinancial assets received disaggregated by category that depicts the type of contributed nonfinancial assets. For each category of contributed nonfinancial asset recognized, a not-for-profit entity is required to disclose:

- Qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a not-for-profit entity also is required to disclose a description of the programs or other activities in which those assets were used.
- The not-for-profit's policy, if any, about monetizing rather than utilizing contributed nonfinancial assets.
- A description of any donor restrictions associated with the contributed nonfinancial assets.
- A description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, *Fair Value Measurement*, of the FASB's Accounting Standards Codification, at initial recognition.
- The principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

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, 2021, the Organization's cash and cash equivalents exceeded federally insured limits by \$1,019,968 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.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3. PROPERTY, EQUIPMENT, AND IMPROVEMENTS

At December 31, 2021, 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		1,139,760
Equipment		406,366
Furniture		31,534
Vehicles		1,869,930
		<u>6,534,875</u>
Accumulated depreciation		(3,478,023)
Total property, equipment and improvements (net)	\$	<u>3,056,852</u>

Depreciation expense was \$180,306 for the year ended December 31, 2021.

NOTE 4. GRANTS RECEIVABLE

At December 31, 2021, grants receivable consisted of the following:

Other Programs	\$	6,821
Childcare Food (US Department of Agriculture)		124,378
Early Head Start (Department of HHS)		66,449
Head Start (Department of HHS)		383,941
		<u>\$ 581,589</u>

NOTE 5. NOTES PAYABLE

Notes payable consist of the following at December 31, 2021:

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 \$118,130 at December 31, 2021.

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 \$134,307 at December 31, 2021.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5. NOTES PAYABLE (CONTINUED)

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 \$884,298 at December 31, 2021.

Aggregate maturities required on debt at December 31, 2021, are due in future years as follows:

Year	
2022	\$ 93,088
2023	64,322
2024	20,664
2025	21,377
2026	22,112
Thereafter	915,172
Total	<u><u>\$ 1,136,735</u></u>

Amortization expense on loan costs was \$897 for the year ended December 31, 2021.

NOTE 6. DEFERRED REVENUES

At December 31, 2021, advances from grantors and rental revenue consisted of the following:

LIHEAP	\$ 538,591
CSBG	326,710
Weatherization	148,799
	<u><u>\$ 1,014,100</u></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, 2021, 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. CONCENTRATION OF REVENUES

Approximately 87% 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, 2021. Any future losses of these revenues would have a significant impact on the Organization's ability to continue funding these programs.

NOTES TO THE FINANCIAL STATEMENTS

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.

In-kind contributions for the year ended December 31, 2021, consisted of the following:

Salaries and benefits	\$	1,165
Supplies		5,507
Rent		1,899,826
Total	\$	<u>1,906,498</u>

NOTE 10. 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. An Annual Comprehensive 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 16.41% 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, 2021, was \$899,676, which is equal to the required contributions.

NOTE 11. 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 matured on October 29, 2021. The outstanding balance was \$0 at December 31, 2021.

The Organization has entered into an unsecured \$250,000 line of credit with a financial institution that bears an interest rate of 4.75% and matured on October 15, 2020. On March 25, 2021, the Organization renewed the line of credit for one year ending March 25, 2022, with a minimum interest rate of 3.25%. The outstanding balance was \$0 at December 31, 2021.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12. 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, 2021, 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	\$ 1,318,593
Grant receivable	581,589
Other receivables	6,704
	<u>1,906,886</u>
Less those unavailable for general expenditures with one year due to:	
Deferred revenue	<u>(1,014,100)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 892,786</u></u>

NOTE 15. SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2021, financial statements for subsequent events through November 23, 2022, the date the financial statements were available to be issued.

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) (the "Organization"), which comprise the statement of financial position as of December 31, 2021, 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 November 23, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 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 cursive script that reads "Mauldin & Jenkins, LLC".

Columbia, South Carolina
November 23, 2022



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

Opinion on Each Major Federal Program

We have audited **Waccamaw Economic Opportunity Council, Inc.'s** (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. 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.

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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Waccamaw Economic Opportunity Council, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Waccamaw Economic Opportunity Council, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Waccamaw Economic Opportunity Council, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Waccamaw Economic Opportunity Council, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Waccamaw Economic Opportunity Council, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Waccamaw Economic Opportunity Council, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Waccamaw Economic Opportunity Council, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Waccamaw Economic Opportunity Council, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Columbia, South Carolina
November 23, 2022

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

Federal Grantor/Pass-through Grantor/Program Title	Federal Assistance Listing Number	Federal Expenditures
<u>US Department of Health and Human Services</u>		
Direct Award:		
Head Start	93.600	\$ 6,197,016
COVID-19 - Head Start	93.600	429,928
Early Head Start	93.600	926,605
Sub-Total		<u>7,553,549</u>
Passed through South Carolina Division of Economic Opportunity:		
Weatherization - Low-income Home Energy Assistance	93.568	286,091
Passed Through State Department of Human Resources:		
Low-income Home Energy Assistance	93.568	3,866,219
COVID-19 - Low-income Home Energy Assistance	93.568	789,617
Sub-Total		<u>4,941,927</u>
Community Service Block Grant	93.569	1,048,325
COVID-19 - Community Service Block Grant	93.569	637,767
Sub-Total		<u>1,686,092</u>
Total US Department of Health and Human Services		<u>14,181,568</u>
<u>US Department of Energy</u>		
Passed through South Carolina Division of Economic Opportunity:		
Weatherization Assistance for Low-income Persons	81.042	163,714
Total US Department of Energy		<u>163,714</u>
<u>US Department of Agriculture</u>		
Passed through South Carolina Department of Social Services:		
Child and Adult Care Food	10.558	343,653
Child Nutrition Cluster		
Summer Food Service - Program for Children	10.559	150,536
Community Facilities Loans and Grants		
Summer Food Service - Program for Children	10.766	1,018,604
Total US Department of Agriculture		<u>1,512,793</u>
Total Expenditures of Federal Awards		<u>\$ 15,858,075</u>

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2021

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. (the "Organization") under programs of the federal government for the year ended December 31, 2021. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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

The Organization 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, 2021

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes 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 No

Identification of major program

CFDA No. 93.600 Head Start/Early Head Start
CFDA No. 93.569 Community Service Block Grant

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

Auditee qualified as low-risk auditee? Yes No

WACCAMAW ECONOMIC OPPORTUNITY COUNCIL, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

II. FINANCIAL STATEMENT FINDINGS

NONE REPORTED.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE REPORTED.

IV. SCHEDULE OF PRIOR YEAR FINDINGS

NONE REPORTED.