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June 26, 2012

Board of Directors  
UNACVO, Inc.  
Boulder, Colorado

This letter is to provide you with information about significant matters related to our audit of the financial statements of UNAVCO, Inc. ("UNAVCO") for the year ended December 31, 2011. It is intended solely for the Board of Directors and should not be used by anyone other than these specified parties.

We have provided a separate report, dated June 26, 2012, concerning the internal control conditions that we noted during our audit.

The following are our observations arising from the audit that are relevant to your responsibilities in overseeing the financial reporting process.

**Auditor's Responsibilities under Generally Accepted Auditing Standards.** Our audit was performed for the purpose of forming and expressing an opinion about whether the financial statements, that have been prepared by management with your oversight, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit does not relieve you or management of your responsibilities.

**Other Information in Documents Containing Audited Financial Statements.** With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

**Significant Issues Discussed with Management Prior to Retention.** We discuss various matters with management each year prior to retention as UNAVCO's auditors. These discussions occur in the normal course of our professional relationship. There were no significant issues, including the application of accounting principles and auditing standards, which were discussed with management prior to our retention as auditors.

**Consultations with Other Accountants.** We were informed by management that they made no consultations with other accountants on the application of generally accepted accounting principles and generally accepted auditing standards.

## **Qualitative Aspects of Accounting Practices.**

### *Accounting Policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by UNAVCO, Inc. are described in Note 1 to the financial statements.

There were no significant accounting policies or their application which were either initially selected or changed during the year.

There were no controversial or emerging areas for which there is a lack of authoritative guidance.

There were no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The following is management's description of the processes utilized in the following estimate:

- Depreciation of Capital Assets: UNAVCO depreciates its capital assets based on their estimated useful lives, which range from three to five years.

### *Financial Statement Disclosures*

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

**Difficulties Encountered in Performing the Audit.** We encountered no significant difficulties in dealing with management related to the performance of our audit.

**Corrected Misstatements.** The attached Exhibit A summarizes corrected misstatements, other than those that are trivial, that were brought to the attention of management as a result of audit procedures. Management has corrected all such misstatements.

**Uncorrected Misstatements.** The attached Exhibit B summarizes uncorrected misstatements, other than those that are trivial, aggregated by us during our current audit and pertaining to the most recent period presented in the financial statements. Management has determined that these uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

**Representations from Management.** We have requested the representations from management that are shown in the attached Exhibit C.

**Disagreements with Management.** There were no disagreements with management on financial accounting and reporting matters, auditing procedures, or other matters which would be significant to the UNAVCO's financial statements or our report on those financial statements.

Please contact Paul Niedermuller if you have any questions regarding the matters included in this letter.

*CliftonLarsonAllen LLP*

**EXHIBIT A - CORRECTED MISSTATEMENTS**  
**UNAVCO, INC.**  
**Year Ended December 31, 2011**

**Adjusting Journal Entries JE # 1**

To record January 2012 expenses paid in December 2011 as prepaid expenses.

14000-000-0	Prepaid Expenses	\$ 24,704	
20000-000-0	Accounts Payable - Trade		\$ 24,704
<b>Total</b>		<b>\$ 24,704</b>	<b>\$ 24,704</b>

**Adjusting Journal Entries JE # 2**

To record January 2012 rent expense paid in December 2011 as prepaid expenses.

14000-000-0	Prepaid Expenses	\$ 41,947	
10330-000-0	Chase Grant Funds Chkg Acct		\$ 41,947
<b>Total</b>		<b>\$ 41,947</b>	<b>\$ 41,947</b>

**Adjusting Journal Entries JE # 3**

To reclassify depreciation expense that was credited as a result of the sale of assets under capital lease as a reduction in net book value of assets.

46220-000-0	Depreciation Expense	\$ 537,653	
42000-000-D	Equipment : Government Owned		\$ 537,653
<b>Total</b>		<b>\$ 537,653</b>	<b>\$ 537,653</b>

**EXHIBIT B - PASSED ADJUSTMENT SUMMARY**  
**UNAVCO, INC.**  
**Year Ended December 31, 2011**

<b>Description</b>	<b>Effect of Misstatements</b>			<b>Change in Net Assets</b>
	<b>Assets</b>	<b>Liabilities</b>	<b>Net Assets</b>	
To properly accrue 2011 portion of employer related payroll tax expenses for payroll in 2012 as well as related revenue and accounts receivable for reimbursement from the National Science Foundation.	\$ - 25,511	\$ (25,511) -	\$ - -	\$ 25,511 (25,511)
To reclassify the proceeds from the sale of government equipment recorded as a credit to expense and record as credit to revenue.	-	-	-	(136,500) 136,500
<b>Total misstatements</b>	<u>\$ 25,511</u>	<u>\$ (25,511)</u>	<u>\$ -</u>	<u>\$ -</u>

Note: The above amounts are listed as either debits or (credits).

## EXHIBIT C – AUDIT REPRESENTATION LETTER

June 26, 2012

CliftonLarsonAllen LLP  
Interlocken Business Park  
370 Interlocken Blvd.  
Suite 500, Broomfield, CO 80021

We are providing this letter in connection with your audit of the statement of financial position of UNAVCO, Inc. as of December 31, 2011, and of its statements of activities and cash flows for the year then ended for the purpose of expressing an opinion as to whether the financial statements present fairly the financial position, changes in net assets, and cash flows of UNAVCO, Inc. in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America. Although CliftonLarsonAllen LLP may have made suggestions as to the form and content of the financial statements or even prepared them in whole or in part, we acknowledge our responsibility for the review and approval of the financial statement amounts and disclosures, and understand the financial statements remain the representations of our management.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of June 26, 2012, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. The financial statements include all properly classified net assets under the Organization's control.
2. With respect to the single audit reports and schedules accompanying the financial statements:
  - a. We acknowledge our responsibility for presenting the supplementary information accompanying the financial statements using consistent methods of measurement and presentation with those used in the prior period (as required by OMB Circular A-133), and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b. We believe the supplementary information, including its form and content, is fairly presented.
3. We have made available to you all:
  - a. Financial records and related data.
  - b. Minutes of the meetings of directors or committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - c. Audit or monitoring reports, received from funding sources.
4. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements except for instances of noncompliance with grant contract provisions, laws, and regulations included in the Schedule of Findings and Questioned Costs and your report on compliance with laws and regulations related to federal award programs.
5. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
6. We have reviewed and approved all adjustments and corrections made to the financial statements and acknowledge that the adjustments are complete and accurate.
7. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying Exhibit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
8. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
9. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.
11. We have maintained an adequate system of internal control over the receipt and recording of contributions during the year.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities or net assets in the financial statements.

13. The following have been properly recorded or disclosed in the financial statements:
  - a. Related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees.
  - b. Estimates that might be subject to material change within one year from the date of the financial statements. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
  - c. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.
  - d. Concentrations existing at the date of the financial statements that make the Organization vulnerable to the risk of severe impact within one year from the date of the financial statements. We understand that concentrations include individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, or operating areas or markets.
14. There are no:
  - a. Violations or possible violations of laws or regulations, including federal, state or local environmental laws and regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency except for instances of noncompliance with grant contract provisions, laws, and regulations included in the Schedule of Findings and Questioned Costs and your report on compliance with laws and regulations related to federal award programs.
  - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 450, *Contingencies*.
  - c. Transfers, reclassifications, or designations of net assets or interfund borrowings that were not properly authorized and approved, or uncollectible interfund loans that have not been properly reflected in the financial statements or disclosed to you.
15. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with FASB ASC 450.
16. We are an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities that would jeopardize the Organization's tax-exempt status of which we are aware and all activities subject to tax on unrelated business income or excise or other tax have been disclosed to you. All required filings with tax authorities are up to date.

17. With respect to federal award programs:
  - a. We are responsible for complying, and have complied, with the requirements of Circular A-133
  - b. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included all expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
  - c. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 Section 310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Circular. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
  - d. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs.
  - e. We are responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that we are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
  - f. We have identified and disclosed to you the requirements of laws, regulations and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each federal program.
  - g. We have made available all contracts and grant agreements related to federal programs (including amendments, if any) and any related correspondence that has taken place with federal agencies or pass-through entities.
  - h. We have complied, in all material respects, with the compliance requirements in connection with federal awards except as we have disclosed to you.
  - i. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
  - j. Our interpretations of any compliance requirements that have varying interpretations have been provided to you.



- k. We have made available all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- l. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared, and are prepared on a basis consistent with that presented in the schedule of expenditures of federal awards.
- m. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- n. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Circular A-133.
- o. We have issued management decisions on a timely basis after the receipt of sub recipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that sub recipients have taken the appropriate and timely corrective action on findings.
- p. We have considered the results of subrecipient audits and have made any necessary adjustments to our own books and records.
- q. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
- r. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- s. We are responsible for taking corrective action on audit findings of the compliance audit.
- t. We have accurately completed the appropriate sections of the data collection form.
- u. We have disclosed all contracts or other agreements with the service organizations.
- v. We have disclosed all communications from the service organization relating to noncompliance at the service organization.
- w. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.

- x. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to reportable conditions (including material weaknesses), have occurred subsequent to the date as of which compliance is audited.
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- 18. We are responsible for UNAVCO, Inc's compliance with grant provisions, laws and regulations applicable to it; and we have identified, and disclosed to you, all grant provisions, laws and regulations that have a direct and material effect on the determination of financial statement amounts. We have complied with all aspects of grant provisions, laws, regulations, and contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  - 19. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged.
  - 20. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
  - 21. We have reviewed long-lived assets to be held and used for impairment if events or changes in circumstances have indicated that the carrying amount of assets might not be recoverable and, if necessary, have appropriately recorded the adjustment.
  - 22. We have complied with all restrictions on resources and all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
  - 23. We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
  - 24. No events have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.