

UNAVCO, INC.
Boulder, Colorado

FINANCIAL STATEMENTS
December 31, 2013

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows	5
Notes to Financial Statements	6
SINGLE AUDIT REPORTS AND SCHEDULES	13
Schedule of Expenditures of Federal Awards	14
Notes to the Schedule of Expenditures of Federal Awards.....	16
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	17
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	19
Schedule of Findings and Questioned Costs	21
Summary of Schedule of Prior Year Audit Findings	23

INDEPENDENT AUDITORS' REPORT

Board of Directors
UNAVCO, Inc.
Boulder, Colorado

We have audited the accompanying financial statements of UNAVCO, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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.

Auditors' 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 auditors' 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 UNAVCO, Inc. as of December 31, 2013, 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 - Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* (Circular A-133), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic 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 June 19, 2014 on our consideration of UNAVCO'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 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 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 UNAVCO's internal control over financial reporting and compliance.

Emphasis-of-Matter Regarding a Change in Accounting Principle

As discussed in Note 2 to the financial statements, UNAVCO changed its method of accounting for equipment with title vested in the U.S. government during 2013 as required by generally accepted accounting principles. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

Denver, Colorado
June 19, 2014

UNAVCO, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2013

ASSETS

ASSETS

Cash and cash equivalents	\$ 479,654
Cash and cash equivalents - federal	639,863
Investments	150,750
Federal grants receivable	1,725,035
Deposits	36,630
Other receivables	371,414
Prepaid expenses	128,498
Property and equipment, net	<u>1,867,799</u>

TOTAL ASSETS **\$ 5,399,643**

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 1,778,136
Accrued liabilities	603,853
Deferred revenue	<u>430,438</u>

Total liabilities 2,812,427

NET ASSETS

Unrestricted	<u>2,587,216</u>
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TOTAL LIABILITIES AND NET ASSETS **\$ 5,399,643**

The accompanying notes are an integral part of the financial statements.

UNAVCO, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013

REVENUES AND OTHER SUPPORT

Federal agency revenue	
Federal grants	\$ 19,616,098
Other income	<u>104,155</u>
Total federal revenue	19,720,253
Membership contributions	12,000
Fee for service	785,369
Interest income	<u>2,908</u>
Total revenues and other support	<u>20,520,530</u>

EXPENSES

Program services	
Plate Boundary Observatory (PBO)	9,401,735
GAGE cooperative agreement	2,237,700
Facility cooperative agreement	2,898,763
Network enhancement	1,164,900
Data products and archiving	233,149
Polar programs	488,510
Education and outreach	338,339
Principal investigator programs	624,092
Commercial	371,719
Other	<u>181,095</u>
Total program services	17,940,002
General and administrative	<u>2,519,549</u>
Total expenses	<u>20,459,551</u>

CHANGE IN NET ASSETS 60,979

**NET ASSETS, BEGINNING OF YEAR
AS PREVIOUSLY PRESENTED** 857,643

**EFFECT OF RETROSPECTIVE CHANGE
IN ACCOUNT PRINCIPLE** 1,668,594

NET ASSETS, END OF YEAR \$ 2,587,216

The accompanying notes are an integral part of the financial statements.

UNAVCO, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 60,979
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	1,071,416
Unrealized gain on investments	(2,025)
Effects of changes in operating assets and liabilities:	
Federal grants receivable	(1,587,496)
Other receivable	155,497
Prepaid expenses	(14,455)
Accounts payable	972,445
Accrued liabilities	(73,001)
Deferred revenue	<u>(335,833)</u>
Net cash used in operating activities	<u>247,527</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(50,000)
Sale of investments	101,538
Purchase of equipment	<u>(1,158,170)</u>
Net cash used in investing activities	<u>(1,106,632)</u>

DECREASE IN CASH AND CASH EQUIVALENTS (859,105)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 1,978,622

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 1,119,517

The accompanying notes are an integral part of the financial statements.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

UNAVCO, INC. (UNAVCO) is a non-profit membership-governed organization that supports and promotes Earth science by advancing high-precision geodetic and strain techniques such as the Global Positioning System. UNAVCO is a community centered organization committed to providing services that benefit the community through savings in the cost of scientific research and by enhancing communication both within the community and with sponsors. The organizational structure is designed to accommodate anticipated growth and breadth in the application of geodetic research in Earth science by the governance of its member representatives.

UNAVCO was formed in response to community support of its role as the lead organization for community based planning and management of new initiatives such as the Plate Boundary Observatory. The incorporation is intended to enable better community oversight of and input into UNAVCO activities. It will also enable application and receipt of funds from federal agencies, such as the National Science Foundation (NSF), for support of these communities.

Basis of Presentation

UNAVCO is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2013, UNAVCO had no temporarily or permanently restricted net assets.

Basis of Accounting

UNAVCO records transactions on the accrual basis of accounting in conformity with generally accepted accounting principles.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Administrative expenses include those expenses that are not directly identifiable with another specific function but provide for the overall support of UNAVCO.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

UNAVCO qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for Federal income taxes has been provided. As of December 31, 2013, the Internal Revenue Service has not proposed any adjustments that would result in a material change to the organization's financial position. The organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years ended December 31, 2009 and prior.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and demand deposit accounts. UNAVCO considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments

Investment securities are reported at fair value as described in Note 2.

Certificates of deposit are classified as investments if they do not meet the definition of a cash equivalent due to original term to maturity of over three months. UNAVCO's investments consist of certificates of deposits with original maturities of nine months to five years.

Prepays

UNAVCO pays building lease expense, insurance expense, and maintenance contracts in advance of the related periods. These amounts are reported as prepaid expenses on the statement of financial position.

Federal Grants Receivable

UNAVCO receives grants from federal agencies for investment in UNAVCO's mission related projects. Federal grants receivable consist of funding commitments from those agencies which have not been received. Management believes that all receivable amounts are collectible as of year-end. For the year ended December 31, 2013, there were no amounts written off as uncollectible receivables.

Other Accounts Receivable

Accounts receivable are unsecured customer obligations related to non-government contracts and federal fee for service contracts (in which UNAVCO serves as a vendor versus subrecipient). Accounts receivable are stated at the invoice amount. Management believes that all receivable amounts are collectible as of year-end. For the year ended December 31, 2013, there were no amounts written off as uncollectible receivables.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value at the date of receipt. UNAVCO capitalizes items having a useful life greater than one year and a cost or fair value greater than \$5,000. Property and equipment is depreciated using the straight-line method over the estimated useful lives as follows:

	<u>Useful Life</u>
Leasehold improvements	5 years
Furniture and fixtures	5 years
Computer software and equipment	3 years
Vehicles	5 years

Impairment of Long-Lived Assets

UNAVCO reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairments recognized by UNAVCO for the year ended December 31, 2013.

Accrued Vacation

UNAVCO employees earn between 160 and 240 hours of paid time off each year, 432 of which can be carried over from year to year. The maximum amount that can be accrued is 432 hours. Accrued hours carried over from year to year are recorded as accrued wages payable at year-end. As of December 31, 2013, total accrued vacation is \$493,314 which is included as a component of accrued liabilities.

Revenue Recognition

Revenue from government contracts is deemed to be earned when UNAVCO has incurred costs or other expenditures which satisfy the terms imposed by the respective grants or contracts. For costs incurred on an accrual basis in excess of funds received from award sponsors, revenue and related receivables are recognized to the extent of such costs.

Other revenue is recognized when earned.

Subsequent Events

Management evaluated subsequent events through June 19, 2014, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2013, but prior June 19, 2014, that provided additional evidence about conditions that existed at December 31, 2013 have been recognized in the financial statements for the year ended December 31, 2013. Events or transactions that provided evidence about conditions that did not exist at December 31, 2013 but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2013.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2013, there was a change in the method of accounting for property used by UNAVCO with title vested in the U.S. government (see Note 4). The new accounting method was adopted in response to clarified guidance issued by the AICPA during 2013. The effect of this change was to capitalize equipment with title vested in the U.S. Government rather than expense under previous treatment. The cumulative effect of the change on net assets at January 1, 2013 was an increase of \$1,668,594. The effect of the change on change in net assets for the year ended December 31, 2013 was to capitalize \$809,215 of equipment purchased in 2013 rather than expense. In addition, UNAVCO recognized depreciation expense of \$973,964 related to this equipment for the year ended December 31, 2013.

NOTE 3 – INVESTMENTS

Investments are carried at fair value. In determining fair value, UNAVCO uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The accounting standard, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 3 – INVESTMENTS (CONTINUED)

Money market funds and Certificates of Deposit: Valued at \$1 cost, which is the value at which the fund is actively traded and approximates fair value based on the fair value of the fund's underlying investments.

Mutual funds and exchange products: Valued at quoted market prices of shares held by the fund as of the close of the last trading day of the year. Mutual funds consist of various bond and equity securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UNAVCO believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table summarizes by level, within the fair value hierarchy, UNAVCO's assets at fair value as of December 31, 2013:

	<u>December 31, 2013</u>		<u>Fair Value Measurements Using</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
Money market funds	\$ 572	\$ 572	\$ 572	\$ -	\$ -
Certificates of deposit	100,000	100,001	100,001	-	-
Mutual Funds	25,000	25,482	25,482	-	-
Exchange products	<u>24,428</u>	<u>24,695</u>	<u>24,695</u>	<u>-</u>	<u>-</u>
Total at fair value	<u>\$ 150,000</u>	<u>\$ 150,750</u>	<u>\$ 150,750</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2013, including property designated as to a particular purpose, consists of the following:

Leasehold improvements	\$ 158,600
Furniture and equipment	2,716,708
Computer software and equipment	118,671
Vehicles	4,814
Other equipment	<u>233,800</u>
	3,232,593
Less accumulated depreciation	<u>(1,364,794)</u>
Net property and equipment	<u>\$ 1,867,799</u>

Total depreciation expense for the year ended December 31, 2013 was \$1,071,416.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 4 – PROPERTY AND EQUIPMENT (CONTINUED)

Equipment with title vested in the U.S. Government and other sponsors is recorded in the statement of financial position, provided it meets UNAVCO's capitalization criteria (see Note 1). Prior to 2013, these equipment purchases were recorded as expenses in the statement of activities. However, as described in Note 2, effective January 1, 2013, UNAVCO implemented clarified guidance under the *AICPA Audit and Accounting Guide for Not-for-Profit Entities*. Net additions in 2013 were \$809,215 (net of accumulated depreciation) and the accumulated gross total of Federal property as of December 31, 2013 was approximately \$23,228,772. UNAVCO has the responsibility of maintaining property records and reporting balances to the respective government agency.

NOTE 5 – LEASES

Operating Leases

UNAVCO leases office space and equipment under several operating lease agreements with various obligation amounts and terms ranging from two to 15 years. UNAVCO is able to terminate the office lease agreements if it does not receive its annual funding from the NSF.

Future minimum payments required under the aforementioned agreements as of December 31, 2013 consist of the following:

2014	\$ 582,776
2015	538,801
2016	519,683
2017	535,273
2018	<u>551,331</u>
Total minimum lease payments	<u>\$ 2,727,864</u>

Rental expense related to operating leases was \$581,509 for the year ended December 31, 2013.

NOTE 6 – LINE OF CREDIT

UNAVCO has a line of credit of \$450,000 with a financial institution. Of this amount, \$62,000 is required by the US Forest Service to be held for the decommissioning of stations on forest land sites, if necessary. As such, only \$188,000 is available for operational needs. As of December 31, 2013, there was no outstanding draw on this credit facility.

NOTE 7 – EMPLOYEE BENEFIT PLAN

UNAVCO has a 403(b) Plan that is administered by the Teachers Insurance Annuities Association's College Retirement Equities Fund (TIAA/CREF). Employees are required to participate in the plan if employed as a regular full-time or regular part-time employee. For UNAVCO employees who make their minimum contribution of 5% to TIAA/CREF, UNAVCO also contributes 10% of the employee's salary. UNAVCO's contributions to the TIAA/CREF for the year ended December 31, 2013 were \$676,311.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 8 – SIGNIFICANT CONCENTRATIONS

Generally accepted accounting principles require disclosure of information about current vulnerabilities due to certain concentrations. These matters include the following:

Revenues from Major Federal Awards

For the year ended December 31, 2013, approximately 91% of UNAVCO's revenues were from the NSF. At December 31, 2013, approximately 79% of accounts receivable was due from the NSF.

Concentration of Risks

UNAVCO maintains all of its cash and temporary investments in a commercial bank located in Colorado. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. At certain times throughout the year, UNAVCO had balances in excess of FDIC limits in excess of the federally insured limits. UNAVCO believes it is not exposed to any significant risk on cash and cash equivalents.

This information is an integral part of the accompanying financial statements.

SINGLE AUDIT REPORTS AND SCHEDULES

UNAVCO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor and Program Title	Federal CFDA Number	Identifying Number	Total Expended	Subaward Identifying Number
Research and Development Cluster				
<i>The National Science Foundation</i>				
<i>Support for UNAVCO, Inc. and Collaborative Research:</i>				
<i>EarthScope Facility Operation and Maintenance</i>	47.050	EAR-0732947	\$ 9,942,449	N/A
<i>Collaborative Instrumentation: COCONet (Continuously Operating Caribbean GPS Observational Network)</i>				
	47.050	EAR-1042906	1,232,429	N/A
<i>Support for UNAVCO, Inc. and Facility Support: Geodesy Advancing Earth Science</i>				
	47.050	EAR-0735156	1,066,196	N/A
<i>Passed-Through Pennsylvania State University Convergence of Space Geodesy in Plate Boundary Research and Geoscience Education</i>				
	47.050	EAR-0955560	(1,960)	4183-UI-NSF-5560
<i>Passed-Through Ohio State University Chile Argentina GPS Network Upgrades</i>				
	47.050	EAR-1118514	15,837	60029791
<i>Passed-Through Ohio State University The Greenland GPS network (GNET): Geodetic characterization of water vapor, climate cycles, climate change and ice mass balance</i>				
	47.078	ARC-1111882	61,193	60029492
<i>Passed-Through University of Colorado Collaborative Research: Rio Grande Rift II - Kinematics and Dynamics of Continental Deformation in Low Strain-Rate Environments</i>				
	43.002	EAR-1053596	18,207	1548441
<i>Passed-Through University of Wisconsin: GPS Measurements and earthquake cycle modeling of the Mexico subduction zone</i>				
	47.050	EAR-1114174	18,439	360K006
<i>Passed-Through Earthcube</i>				
	47.050	EAR-1239065	4,133	50-DMS
<i>Passed-Through Columbia University Collaborative Research: Tectonic and Magmatic processes During Early-Stage Rifting: Malawi, Africa</i>				
	47.050	EAR-1110921	8,036	1(GG006672)
<i>Passed-Through Hamilton College: LARISSA 2013</i>				
	47.078	ANT-1143981	3,427	HAM-012013
<i>Passed-Through University of Houston: MRI Acquisition of GPS Equipment for Establishing a Continuously Operating Dense GPS Network in Houston</i>				
	47.050	EAR-1229278	263,538	R-13-0028
<i>Passed-Through Open Topography - A National Hub for High Resolution Topographic Data, Tools, and Knowledge</i>				
	47.050	EAR-1226353	27,582	30575468
<i>Enhanced Support for GPS Networks and Terrestrial Laser Scanning in Polar Regions</i>				
	47.078	ANT-1053220	196,053	N/A
<i>EarthScope Comprehensive SAR Archive</i>				
	47.050	EAR-0952375	75,676	N/A
<i>Support of UNAVCO, Inc. and Track 2: Developing a Sustainable RESESS Program</i>				
	47.050	GEO-0914704	372,003	N/A

UNAVCO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2013

Federal Grantor and Program Title	Federal CFDA Number	Identifying Number	Total Expended	Subaward Identifying Number
<i>The National Science Foundation (Continued)</i>				
<i>Support for UNAVCO, Inc. and Collaborative Research:</i>				
<i>EarthScope /Facility Operation and Maintenance (ARRA)</i>	47.082 (ARRA)	EAR-0732947	300,267	N/A
<i>Collaborative Research: Structural Architecture and Evolutionary Plate-Boundary Processes Along the San Jacinto Fault Zone</i>	47.050	EAR-0908501	2,473	N/A
<i>MRI-R2: Acquisition of GPS Equipment for Africa Array (ARRA)</i>	47.082 (ARRA)	EAR-0960160	33,180	N/A
<i>Community & Facility Bridge Award</i>	47.050	EAR-1255679	2,485,571	N/A
<i>Acquisition of Next Generation TLS</i>	47.050	EAR-1261653	183,775	N/A
<i>Passed-Through EAR/IF: Prototype Investigations Into Integrated GPS/Seismic Networks for Improved Finite Fault Slip Modeling and Earthquake Characterization</i>	47.050	EAR-1252187	3,263	39411255
<i>Passed-Through POLENET-Antarctica: Investigating links between geodynamics and ice sheets - Phase 2</i>	47.050	PLR-1249631	357,695	60037412
<i>RAPID GeoGONAF (Turkey)</i>	47.050	EAR-1349838	2,275	N/A
<i>GAGE (Geodetic Infrastructure)</i>	47.050	EAR-1261833	2,576,240	N/A
<i>TLALOCNet GPS-Met Array in Mexico</i>	47.050	EAR-1338091	257,263	N/A
<i>UNAVCO Facility-Bridge Proposal</i>	47.050	EAR-1255679	20,481	N/A
<i>SAVI-Harmonize data between EU and US</i>	47.050	EAR-1321641	1,151	N/A
<i>Geodesy Curriculum - 21st Century (TUES)</i>	47.076	DUE-1245025	13,965	N/A
<i>Passed-Through EarthCube Building Blocks</i>	47.050	ICER-1343709	559	N/A
<i>The National Science Foundation</i>			<u>19,541,396</u>	
<i>National Aeronautics and Space Administration Grants</i>				
<i>Discovery and Delivery of Space Geodetic Data Products from Distributed Archives</i>	43.000	NNX10AF07A	42	N/A
<i>Science Data Systems for Satellite and Airborne LIDAR Data</i>	43.000	NNX10AF12A	51,264	N/A
<i>NASA ROSES NSAR</i>	43.000	NNX12AF62A	96,457	N/A
<i>Passed-Through Geodesy for Evaluating the Impact of Sea Level Rise on NASA Centers and Facilities</i>	43.001	NNX12AF56G	28,178	1549309
<i>National Aeronautics and Space Administration Grants</i>			<u>175,941</u>	
<i>United States Department of Commerce</i>				
<i>Archiving of USGS Daily Global Positioning System Data at the UNAVCO Data Center dated 12/28/09</i>	15.808	G10AP00062	35,595	N/A
<i>WinSAR Data Archive for Crust Dynamics</i>	15.808	G13AC00062	2,588	N/A
<i>United States Department of Commerce</i>			<u>38,183</u>	
<i>Total</i>			<u>\$ 19,755,520</u>	

UNAVCO, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2013

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of UNAVCO for the year ended December 31, 2013.

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Federal financial assistance provided to subrecipients is treated as an expenditure when it is paid to the subrecipient.

Subrecipients

Of the federal expenditures presented in the accompanying schedule of expenditures, UNAVCO provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
2013-2018 Geodesy Advancing Geosciences and Earthscope: The GAGE Facility	47.050	\$ 148,631
Support for Collaborative Research: EarthScope Facility Operation and Maintenance (PBO)	47.050	910,395
Support of UNAVCO, Inc. and Track 2: Developing a Sustainable RESESS Program	47.050	39,461
Collaborative research: Geodesy Curriculum for the 21 st Century – Innovative Science Addressing Societally Critical Issues	43.000	7,700
Support for Science Data Systems for Satellite and Airborne LIDAR Data	43.000	59,102
Seamless Synthetic Aperture Radar (SAR) Archive for Interferometry Analysis	43.000	15,404
2013 UNAVCO Community & Facility Bridge Proposal: Geodesy Revealing the Earth in Action	47.050	<u>133,360</u>
		<u>\$ 1,314,053</u>



CliftonLarsonAllen

Independent Auditors' 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*

Board of Directors
UNAVCO, Inc.
Boulder, Colorado

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 UNAVCO, Inc., which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UNAVCO, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UNAVCO, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of UNAVCO, Inc.'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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2013-001, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UNAVCO, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

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

UNAVCO's Response to Findings

UNAVCO's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. UNAVCO's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Clifton Larson Allen LLP".

Greenwood Village, CO
June 19, 2014



**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Federal Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Directors
UNAVCO, Inc., Inc.
Boulder, Colorado

Report on Compliance for Major Federal Program

We have audited UNAVCO, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on UNAVCO, Inc.'s major federal program for the year ended December 31, 2013. UNAVCO, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for UNAVCO, Inc.'s major federal program 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about UNAVCO, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, UNAVCO, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of UNAVCO, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UNAVCO, Inc.'s internal control over compliance with the types of requirements that could have a direct and material

effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 UNAVCO, Inc.'s internal control over compliance.

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

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

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 19, 2014

UNAVCO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013

PART I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes _____√_____ no
 Significant deficiency(ies) identified that are
 not considered to be material weaknesses? _____√_____ yes _____ none reported
 Noncompliance material to financial statements
 noted? _____ yes _____√_____ no

Federal Awards

Internal control over major program:
 Material weakness(es) identified? _____ yes _____√_____ no
 Significant deficiency(ies) identified that are
 not considered to be material weaknesses? _____ yes _____√_____ none reported

Type of auditors' report issued on compliance
 for major program: Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with section
 510(a) of OMB Circular A-133? _____ yes _____√_____ no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
Various	Research and Developments Cluster

Dollar threshold used to distinguish between
 Type A and Type B programs: \$592,666

Auditee qualified as low-risk auditee? _____√_____ yes _____ no

UNAVCO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2013

PART II – FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2013-001

Audit procedures discovered that approximately \$500,000 of expenses had not been properly accrued for at year-end.

Significant Deficiency

Criteria: Procedures should be performed at year-end to ensure that all liabilities have been recorded.

Condition: We noted three invoices that were improperly excluded from accounts payable at year-end.

Effect: Audit adjustments totaling \$550,905 were made to properly accrue the liabilities owed as of December 31, 2013.

Cause: UNAVCO year-end cut off procedures to ensure liabilities are properly accrued at year-end were not followed.

Recommendation: UNAVCO should implement procedures to ensure the cut-off policies to ensure liabilities are properly accrued at year-end are adhered to. This policy should require that accounting staff receive formal training regarding proper cut-off procedures. A formal notification should be sent to those responsible for coding invoices after year-end to remind those employees of proper accrual techniques. We recommend that the Controller work with the accounting staff to educate them on when to accrue payables at year-end. Lastly, the Controller or accountant should consider performing a review of material checks paid after year-end to ensure they are properly recorded.

Views of responsible officials and planned corrective actions: UNAVCO concurs with the finding and shall document review of invoices received 45 days after year-end to ensure proper cut-off accounting processes are followed.

Contact Information: Carol Deitesfeld, 303-381-7588
6350 Nautilus Drive, Boulder, CO 80301

Corrective Action Date: February 2015

PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS – none noted.

UNAVCO, INC.
SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended December 31, 2013

PART III – FEDERAL AWARD FINDING AND QUESTIONED COSTS

Finding 2012-01

Significant Deficiency

Summary: UNAVCO charged an NSF grant the full-time employee indirect cost rate for a temporary employee. The fringe benefit rate for a full-time employee was 58.45% versus the temporary rate, which was 14.12%.

Status: Issue resolved.