

UNAVCO, INC.  
Boulder, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2014

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
UNAVCO, Inc.  
Boulder, Colorado

We have audited the accompanying financial statements of UNAVCO (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, 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, 2014, 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 REPORT DATE 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 Correction of an Error**

As described in Note 8 to the financial statements, UNAVCO has restated opening net assets. Our opinion is not modified with respect to that matter.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
June 10, 2015

**UNAVCO, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2014**

**ASSETS**

**ASSETS**

Cash and cash equivalents	\$ 368,721
Cash and cash equivalents - federal	478,588
Investments	274,263
Federal grants receivable	846,523
Deposits	39,230
Other receivables	68,513
Prepaid expenses	254,616
Property and equipment, net	<u>1,393,880</u>

**TOTAL ASSETS** **\$ 3,724,334**

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 455,472
Accrued liabilities	721,195
Deferred revenue	<u>404,031</u>

Total liabilities 1,580,698

**NET ASSETS**

Unrestricted	<u>2,143,636</u>
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**TOTAL LIABILITIES AND NET ASSETS** **\$ 3,724,334**

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

**UNAVCO, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2014**

**REVENUES AND OTHER SUPPORT**

Federal agency revenue	
Federal grants	\$ 16,099,576
Other income	<u>29,010</u>
Total federal revenue	16,128,586
Membership contributions	6,000
Fee for service	1,143,263
Interest income	<u>1,447</u>
Total revenues and other support	<u>17,279,296</u>

**EXPENSES**

Program services	
GAGE cooperative agreement	12,381,021
Network enhancement	1,629,964
Principal investigator programs	608,342
Facility cooperative agreement	502,880
Education and outreach	337,227
Polar programs	314,174
Data products and archiving	237,669
Plate Boundary Observatory (PBO)	208,050
Commercial	130,197
Other	95,359
Donations	<u>8,443</u>
Total program services	16,453,326
General and administrative	<u>1,969,165</u>
Total expenses	<u>18,422,491</u>

**CHANGE IN NET ASSETS** (1,143,195)

**NET ASSETS, BEGINNING OF YEAR**  
**AS RESTATED (SEE NOTE 8)** 3,286,831

**NET ASSETS, END OF YEAR** \$ 2,143,636

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

**UNAVCO, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2014**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ (1,143,195)
Adjustments to reconcile change in net assets to net cash provided by in operating activities	
Depreciation	1,418,379
Unrealized gain on investments	(1,658)
Effects of changes in operating assets and liabilities:	
Federal grants receivable	878,512
Other receivable	302,901
Prepaid expenses	(126,118)
Deposits	(2,600)
Accounts payable	(1,322,664)
Accrued liabilities	117,342
Deferred revenue	<u>(26,407)</u>
Net cash provided by operating activities	<u>94,492</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(166,299)
Sale of investments	44,444
Purchase of equipment	<u>(244,845)</u>
Net cash used in investing activities	<u>(366,700)</u>

**DECREASE IN CASH AND CASH EQUIVALENTS** (272,208)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 1,119,517

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 847,309

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

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**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 was intended to enable better community oversight of and input into UNAVCO activities. It also enables 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, 2014, 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, 2014**

**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, 2014, 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, 2010 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, money market funds, mutual funds, and exchange traded products.

**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, 2014, 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, 2014, there were no amounts written off as uncollectible receivables.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**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	Shorter of life of lease or expected life of asset (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, 2014.

**Accrued Vacation**

UNAVCO employees earn between 160 and 240 hours of paid time off each year, 320 of which can be carried over from year to year. The maximum amount that can be accrued is 320 hours. Accrued hours carried over from year to year are recorded as accrued wages payable at year-end. As of December 31, 2014, total accrued vacation is \$516,296 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 10, 2015, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2014, but prior to June 10, 2015, that provided additional evidence about conditions that existed at December 31, 2014 have been recognized in the financial statements for the year ended December 31, 2014. Events or transactions that provided evidence about conditions that did not exist at December 31, 2014, 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, 2014.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**NOTE 2 – 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.

*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.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**NOTE 2 – INVESTMENTS (CONTINUED)**

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, 2014:

	<u>December 31, 2014</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	\$ 4,637	\$ 4,672	\$ 4,672	\$ -	\$ -
Certificates of deposit	62,000	62,000	-	62,000	-
Mutual Funds	100,463	99,043	99,043	-	-
Exchange products	<u>111,859</u>	<u>108,548</u>	<u>108,548</u>	<u>-</u>	<u>-</u>
<b>Total at fair value</b>	<b><u>\$ 278,959</u></b>	<b><u>\$ 274,263</u></b>	<b><u>\$ 212,263</u></b>	<b><u>\$ 62,000</u></b>	<b><u>\$ -</u></b>

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2014, including property designated as to a particular purpose, consisted of the following:

Leasehold improvements	\$ 158,600
Furniture and equipment	3,739,101
Computer software and equipment	118,671
Vehicles	4,814
Other equipment	<u>869,600</u>
	4,890,786
Less accumulated depreciation	<u>(3,496,906)</u>
<b>Net property and equipment</b>	<b><u>\$ 1,393,880</u></b>

Total depreciation expense for the year ended December 31, 2014 was \$1,418,379.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**NOTE 4 – LEASES**

**Operating Leases**

UNAVCO leases office space and equipment under several operating lease agreements with various obligation amounts. 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, 2014 consist of the following:

2015	\$ 493,884
2016	453,031
2017	453,031
2018	<u>339,773</u>
<b>Total minimum lease payments</b>	<b><u>\$ 1,739,719</u></b>

Rental expense related to operating leases was \$579,752 for the year ended December 31, 2014.

**NOTE 5 – 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 \$388,000 is available for operational needs. As of December 31, 2014, there was no outstanding draw on this credit facility.

**NOTE 6 – 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, 2014 were \$672,259.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2014**

**NOTE 7 – 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, 2014, approximately 92% of UNAVCO's revenues were from the NSF. At December 31, 2014, approximately 77% 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.

**NOTE 8 – RESTATEMENT**

UNAVCO has restated its net assets and property and equipment balances as of December 31, 2013 to properly account for equipment purchased with government grant funds as follows:

January 1, 2014 Net Assets as previously reported	\$ 2,587,216
Record equipment purchased with government grant funds	<u>699,615</u>
January 1, 2014 Net Assets as restated	<u><u>\$ 3,286,831</u></u>

The additional capitalized equipment is included in property and equipment on the statement of financial position.

This information is an integral part of the financial statements.

**SINGLE AUDIT REPORTS AND SCHEDULES**

**UNAVCO, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2014**

Federal Grantor and Program Title	Federal CFDA Number	Identifying Number	Total Expended	Subaward Identifying Number
<b>Research and Development Cluster</b>				
<i><b>The National Science Foundation</b></i>				
<i>Support for UNAVCO, Inc. and Collaborative Research:</i>				
<i>EarthScope Facility Operation and Maintenance</i>	47.050	EAR-0732947	\$ 164,465	N/A
<i>Collaborative Instrumentation: COCONet (Continuously Operating Caribbean GPS Observational Network)</i>	47.050	EAR-1042906	1,294,649	N/A
<i>Passed-Through Pennsylvania State University Convergence of Space Geodesy in Plate Boundary Research and Geoscience Education</i>	47.050	EAR-0955560	1,923	4183-UI-NSF-5560
<i>Passed-Through Ohio State University Chile Argentina GPS Network Upgrades</i>	47.050	EAR-1118514	36,656	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	101,023	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	14,926	1548441
<i>Passed-Through University of Wisconsin: GPS Measurements and earthquake cycle modeling of the Mexico subduction zone</i>	47.050	EAR-1114174	9,167	360K006
<i>REU Launchpad</i>	47.050	EAR-1359469	2,529	N/A
<i>Passed-Through Hamilton College: LARISSA 2013</i>	47.078	ANT-1143981	1,245	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	13,738	R-13-0028
<i>Passed-Through Open Topography - A National Hub for High Resolution Topographic Data, Tools, and Knowledge</i>	47.050	EAR-1226353	35,423	30575468
<i>Enhanced Support for GPS Networks and Terrestrial Laser Scanning in Polar Regions</i>	47.078	ANT-1053220	10,053	N/A
<i>EarthScope Comprehensive SAR Archive</i>	47.050	EAR-0952375	67,787	N/A
<i>Support of UNAVCO, Inc. and Track 2: Developing a Sustainable RESESS Program</i>	47.050	GEO-0914704	310,919	N/A

**UNAVCO, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2014**

Federal Grantor and Program Title	Federal CFDA Number	Identifying Number	Total Expended	Subaward Identifying Number
<b><i>The National Science Foundation (Continued)</i></b>				
<i>Passed-Through: Collaborative Research: Role of the Central Scotia Sea Floor and North Scotia Ridge in The Onset and Development of the Antarctic Circumpolar Current</i>	47.050	PLR-1246111	84,628	UTA13-000910
<i>Collaborative Research: Structural Architecture and Evolutionary Plate-Boundary Processes Along the San Jacinto Fault Zone</i>	47.050	EAR-0908501	9,895	N/A
<i>Community &amp; Facility Bridge Award</i>	47.050	EAR-1255679	686,647	N/A
<i>Community &amp; Facility Bridge - TLS Supplement</i>	47.050	EAR-1255679	147,678	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	5,375	39411255
<i>Passed-Through Geodetic Constraints on The Kinematics of the Colorado Plateau and its Western and Southern Margin and Earthquake Characterization</i>	47.050	EAR-0952166	14,239	UNR-14-09
<i>Passed-Through POLENET-Antarctica: Investigating links between geodynamics and ice sheets - Phase 2</i>	47.050	PLR-1249631	202,401	60037412
<i>Rapid Strain Accumulation and Release at the Kunli Subduction Zone</i>	47.050	EAR-1352930	37,671	N/A
<i>RAPID GeoGONAF (Turkey)</i>	47.050	EAR-1349838	106,822	N/A
<i>GAGE (Geodetic Infrastructure)</i>	47.050	EAR-1261833	12,563,922	N/A
<i>TLALOCNet GPS-Met Array in Mexico</i>	47.050	EAR-1338091	459,688	N/A
<i>Community Workshop - Future of PBO in GAGE and after Earthscope</i>	47.050	EAR-1441122	59,202	N/A
<i>SAVI-Harmonize data between EU and US</i>	47.050	EAR-1321641	14,244	N/A
<i>Geodesy Curriculum - 21st Century (TUES)</i>	47.076	DUE-1245025	53,767	N/A
<i>Passed-Through EarthCube Building Blocks</i>	47.050	ICER-1343709	55,596	93-UNAVCO-ECBB
<b><i>The National Science Foundation</i></b>			<b><u>16,566,278</u></b>	
<b><i>National Aeronautics and Space Administration Grants</i></b>				
<i>NASA ROSES NSAR</i>	43.000	NNX12AF62A	87,824	N/A
<i>Passed-Through Geodesy for Evaluating the Impact of Sea Level Rise on NASA Centers and Facilities</i>	43.001	NNX12AF56G	15,205	1549309
<i>NRA/Research Opportunities in Space and Earth Sciences - 2013</i>	43.000	NNX14AJ52A	26,086	N/A
<b><i>National Aeronautics and Space Administration Grants</i></b>			<b><u>129,115</u></b>	
<b><i>United States Geological Survey</i></b>				
<i>Archiving of USGS Daily Global Positioning System Data at the UNAVCO Data Center dated 12/28/09</i>	15.808	G10AP00062	21,784	N/A
<b><i>United States Geological Survey</i></b>			<b><u>21,784</u></b>	
<b><i>Total Research and Development Cluster</i></b>			<b><u>\$ 16,717,177</u></b>	

**UNAVCO, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2014**

**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, 2014.

**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	\$ 683,587
Support of UNAVCO, Inc. and Track 2: Developing a Sustainable RESESS Program	47.050	65,379
Collaborative research: Geodesy Curriculum for the 21 <sup>st</sup> Century – Innovative Science Addressing Societally Critical Issues	43.000	23,887
Seamless Synthetic Aperture Radar (SAR) Archive for Interferometry Analysis	43.000	27,618
2013 UNAVCO Community & Facility Bridge Proposal: Geodesy Revealing the Earth in Action	47.050	<u>18,599</u>
		<u>\$ 819,070</u>



**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 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, which comprise the statement of financial position as of December 31, 2014, 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 10, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered UNAVCO'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's internal control. Accordingly, we do not express an opinion on the effectiveness of UNAVCO's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a material weakness.

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. There were no items we considered to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether UNAVCO'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.

### **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.



**CliftonLarsonAllen LLP**

Greenwood Village, CO  
June 10, 2015



**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.  
Boulder, Colorado

**Report on Compliance for Major Federal Program**

We have audited UNAVCO'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's major federal program for the year ended December 31, 2014. UNAVCO'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'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'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's compliance.

***Opinion on Major Federal Program***

In our opinion, UNAVCO 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, 2014.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on the major federal program is not modified with respect to this matter.

UNAVCO's response to the noncompliance 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 compliance and, accordingly, we express no opinion on the response.

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

Management of UNAVCO 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'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'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, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002, that we consider to be a significant deficiency.

UNAVCO's response to the internal control over compliance findings 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 compliance and, accordingly, we express no opinion on the response.

### **Purpose of this Report**

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 10, 2015

**UNAVCO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended December 31, 2014**

**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:

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
Various	Research and Development Cluster

Dollar threshold used to distinguish between  
 Type A and Type B programs: \$500,732

Auditee qualified as low-risk auditee?   √   yes        no

**UNAVCO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended December 31, 2014**

**PART II – FINDINGS RELATED TO FINANCIAL STATEMENTS**

Finding 2014-001

Audit procedures discovered that approximately \$699,000 of property and equipment purchased with governmental funds prior to fiscal year 2014 had not been properly capitalized.

***Material Weakness***

**Condition:** In the prior year audit, it was determined that equipment purchased by UNAVCO with government grant funds should be capitalized as the assets typically remain with UNAVCO for the length of their useful life despite the fact that the U.S. government retains title to the equipment purchased with grant funds. This determination was made by reviewing AICPA recently released guidance clarifying the appropriate treatment for these types of arrangements. The capitalization of the governmental assets was presented as a change in accounting policy in 2013. Yet, during the current fiscal year 2014 audit, we noted that certain assets were not capitalized as part of the 2013 change in accounting policy entry. Rather, they were erroneously expensed in 2013.

**Criteria:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the statements of financial position, activities and cash flows, including the notes to financial statements, in conformity with generally accepted accounting principles.

**Effect:** Property and equipment was understated and operating expense was overstated in the year 2013 by approximately \$699,000. In 2014, the financial statements were restated to recognize the property purchased in prior years.

**Cause:** As part of the 2013 audit, we proposed an audit adjustment to accrue for costs incurred during 2013 but paid during 2014 (AJE #2). Subsequent to this journal entry, management elected the change in accounting policy to be in line with the AICPA's recently released guidance on the treatment of equipment purchased with federal funds. As part of this accounting change, management did not reassess the treatment of the costs being accrued in the journal entry proposed (AJE #2) to accrue costs into 2013 that were paid in 2014. Had such analysis occurred, management would have determined that this accrual entry (AJE#2) should have capitalized the costs versus recognizing operating expense. This scenario resulted in a restatement of approximately \$424,000. While we concur that this journal entry was originally proposed by us, all journal entries must be reviewed and approved by management as noted in the audit representation letter. In addition, per review of the equipment listing, we noted property and equipment and net assets were understated by approximately \$275,000 as a result of several assets not being capitalized and one asset being capitalized and depreciated twice.

**UNAVCO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended December 31, 2014**

Recommendation: First, prior to the issuance of the financial statements, management should review all journal entries proposed to ensure they are complete and accurate. This review should be continuously updated through out the audit and just prior to issuance to ensure facts and circumstances surrounding the entries remain the same. Secondly, UNAVCO should implement procedures to ensure all assets purchased with funds from government grants are capitalized and incurred in the organization's equipment records. This policy should require that accounting staff receive formal training regarding proper capitalization procedures. We recommend that the Controller work with the accounting staff to educate them on when to capitalize equipment. Lastly, the Controller or accountant should consider performing a review of property and equipment records to ensure they are properly recorded and reconciled to the general ledger/financial statements.

Views of responsible officials and planned corrective actions: UNAVCO concurs with the finding. Review of the capitalization and depreciation schedules and journal entries will be completed and documented by the Controller.

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**

Finding 2014-002                      Research and Development Cluster

**Allowable Costs**  
***Significant Deficiency, Noncompliance***

Criteria: OMB Circular A-122 requires that all costs charged to federal grants must be adequately documented in order to be allowable. OMB Circular A-110 requires that accounting records are supported by source documentation. Source documentation is defined by Circular A-110 as records with sufficient detail to be able to determine what funds were spent on, when the spending occurred and who made the purchase.

Condition: During our allowable costs testing we noted that UNAVCO's policy for credit card charges was to require receipts for transactions of \$75 or more in accordance with IRS policies. As such, there were no receipts supporting credit card charges of less than \$75 that were applied to federal grants.

Effect: UNAVCO was not in compliance with cost allowability substantiation requirements. Unallowable costs could be charged to the grant and go unnoticed under the current policy.

**UNAVCO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**Year Ended December 31, 2014**

Context: We tested a sample of 40 general disbursements to test for compliance with cost principals. We noted that eight of the 40 selections did not have supporting receipts; the eight selections totaled \$216 in expenses.

Questioned Costs: The estimated costs that did not have supporting receipts that were charged to the program totaled \$91,876. Yet, some of these did have descriptions within the credit card statement to support the purpose of the charge.

Cause: UNAVCO's credit card policy did not require individuals to submit receipts for charges less than \$75.

Recommendation: Management should review the documentation and substantiation requirements related to allowable costs and implement a policy to ensure all required supporting documentation is being submitted and maintained.

Views of responsible officials and planned corrective actions: UNAVCO concurs with the finding. The UNAVCO Travel Policy will be modified to require receipts for all credit card transactions by August 2015.

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

Corrective Action Date: August 2015

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

**PART II – FINDINGS RELATED TO FINANCIAL STATEMENTS**

Finding 2013-01

***Significant Deficiency***

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

Status:                    Issue resolved.

**PART III – FEDERAL AWARD FINDING AND QUESTIONED COSTS**

Prior year: None