

Board of Directors
UNAVCO, Inc.
Boulder, Colorado

We have audited the financial statements of UNAVCO, Inc. for the year ended December 31, 2014, and have issued our report thereon dated June 10, 2015. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

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

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

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

- Management's estimate of the depreciation of capital assets is based on their estimated useful lives, which range from three to five years. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the functional allocation of expenses shared between programs and management and general is based on 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. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. As noted in Note 8 to the financial statements, beginning net assets were restated as of December 31, 2013 for a correction of an accounting error to properly capitalize equipment purchased in fiscal 2013 with government grant funds that was incorrectly expensed in fiscal year 2013 versus being capitalized.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatement

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached Exhibit A summarizes the uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial to the financial statements taken as a whole.

Corrected misstatement

The attached Exhibit B summarizes the material misstatement detected as a result of audit procedures that was corrected by management.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached Exhibit C, management representation letter dated June 10, 2015.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in document containing audited financial statements

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the information complies with the requirements of U.S. Office of Management and Budget Circular A-133. *Audits of States, Local Governments, and Non-Profit Organizations*, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated June 10, 2015.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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This communication is intended solely for the information and use of the board of directors and management of UNAVCO, Inc. and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 10, 2015

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
To adjust beginning net assets to tie to PY ending net assets per audited financials statements.			
2810-000000	Unrestricted Net Assets	1	
46390-000-I	Miscellaneous Other Costs		1
Total		<u>1</u>	<u>1</u>
Adjusting Journal Entries JE # 2			
To restate beginning net assets to properly capitalize equipment purchased with government grant funds that were erroneously expensed in the prior year.			
7012-033000	Equipment: Government Owned	279,260	
7012-044000	Equipment: Government Owned	174,010	
2810-000000	Beginning Unrestricted Net Assets		424,270
4099-000000CLA	Gain on Sale of Assets		29,000
Total		<u>453,270</u>	<u>453,270</u>
Adjusting Journal Entries JE # 3			
To restate beginning net assets and property and equipment to capitalize equipment purchased in previous years.			
1401-000000	Capital Equipment	244,054	
1451-000000	Accumulated Dep. Capital	31,291	
2810-000000	Beginning Unrestricted Net Assets		31,291
2810-000000	Beginning Unrestricted Net Assets		244,054
Total		<u>275,345</u>	<u>275,345</u>
Adjusting Journal Entries JE # 4			
To adjust property and equipment and accumulated depreciation to agree to property records.			
1401-000000	Capital Equipment	713,424	
1408-000000	UNAVCO Owned Capital Equipment	31,600	
1451-000000	Accumulated Dep. Capital		713,424
1458-000000	Acc Dep UNAVCO Owned Cap Equip		31,600
Total		<u>745,024</u>	<u>745,024</u>

Account	Description	Debit	Credit
Passed Journal Entries JE # 1001			
Expenses that were recorded in the prior year that should have been recorded as prepaids in prior year and reflected as expense in FY14.			
7609-044000	VSAT Communication	77,679	
2810-044000	Unrestricted Net Assets		77,679
Total		77,679	77,679
Passed Journal Entries JE # 1002			
To reduce the expense and liability for the payroll accrual.			
2201-000000	Wages Payable	15,948	
5001-066000	Salaries - Senior		15,948
Total		15,948	15,948
Cumulative Impact			
Assets (Overstated) Understated		-	
Liabilities Overstated (Understated)		15,948	
Net Assets		-	
Support and Revenue Overstated (Understated)		-	
Expenses (Overstated) Understated		61,731	
Changes in Net Assets Overstated (Understated)		77,679	
Beginning Net Assets			
Unrestricted (Understated)		(77,679)	
Temporarily Restricted (Overstated)		-	