

UNAVCO, INC.
Boulder, Colorado

FINANCIAL STATEMENTS
December 31, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
UNAVCO, Inc.
Boulder, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of UNAVCO, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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, 2015, 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the 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 27, 2016 on our consideration of UNAVCO, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 27, 2016

UNAVCO, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS

ASSETS

Cash and cash equivalents	\$ 308,659
Cash and cash equivalents - federal	238,705
Investments	608,559
Federal grants receivable	1,023,078
Deposits	39,580
Other receivables	138,276
Prepaid expenses	309,658
Property and equipment, net	<u>881,585</u>

TOTAL ASSETS

\$ 3,548,100

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 573,148
Accrued liabilities	826,268
Deferred revenue	<u>378,651</u>

Total liabilities

1,778,067

NET ASSETS

Unrestricted	<u>1,770,033</u>
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TOTAL LIABILITIES AND NET ASSETS

\$ 3,548,100

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

UNAVCO, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2015

REVENUES AND OTHER SUPPORT

Federal agency revenue	
Federal grants	\$ 16,337,516
Other income	182,358
	16,519,874
Total federal revenue	16,519,874
Membership contributions	13,698
Fee for service	957,835
Investment losses	(5,897)
	17,485,510
Total revenues and other support	17,485,510

EXPENSES

Program services	
GAGE cooperative agreement	13,200,582
Network enhancement	941,832
Principal investigator programs	494,287
Facility cooperative agreement	41,045
Education and outreach	130,674
Polar programs	156,983
Data products and archiving	494,818
Plate Boundary Observatory (PBO)	1,081
Commercial	84,320
Other	120,032
Donations	8,592
	15,674,246
Total program services	15,674,246
General and administrative	2,184,867
	17,859,113
Total expenses	17,859,113

CHANGE IN NET ASSETS (373,603)

NET ASSETS, BEGINNING OF YEAR 2,143,636

NET ASSETS, END OF YEAR \$ 1,770,033

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

UNAVCO, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (373,603)
Adjustments to reconcile change in net assets to net cash provided by in operating activities	
Depreciation	914,600
Unrealized loss on investments	21,153
Effects of changes in operating assets and liabilities:	
Federal grants receivable	(176,555)
Other receivable	(69,763)
Prepaid expenses	(55,042)
Deposits	(350)
Accounts payable	117,676
Accrued liabilities	105,073
Deferred revenue	<u>(25,380)</u>
Net cash provided by operating activities	<u>457,809</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(826,355)
Sale of investments	470,906
Purchase of equipment	<u>(402,305)</u>
Net cash used in investing activities	<u>(757,754)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(299,945)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>847,309</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 547,364</u></u>

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

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015, 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 in the United States of America 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, 2015

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. UNAVCO's tax returns are subject to review and examination by federal and state authorities. The organization is not aware of any activities that would jeopardize its tax exempt status.

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.

UNAVCO's investments consist of 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, 2015, 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, 2015, there were no amounts written off as uncollectible receivables.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015.

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, 2015, total accrued vacation is \$557,628 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 27, 2016, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2015, but prior to June 27, 2016, that provided additional evidence about conditions that existed at December 31, 2015 have been recognized in the financial statements for the year ended December 31, 2015. Events or transactions that provided evidence about conditions that did not exist at December 31, 2015, 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, 2015.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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: 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, 2015

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, 2015:

	<u>December 31, 2015</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	\$ 13,215	\$ 13,215	\$ 13,215	\$ -	\$ -
Mutual Funds	287,169	285,749	285,749	-	-
Exchange products	<u>334,058</u>	<u>309,595</u>	<u>309,595</u>	<u>-</u>	<u>-</u>
Total at fair value	<u>\$ 634,442</u>	<u>\$ 608,559</u>	<u>\$ 608,559</u>	<u>\$ -</u>	<u>\$ -</u>

Investment return for the year ended December 31, 2015, is summarized as follows:

Net realized and unrealized losses	\$ (21,153)
Investment income	<u>15,256</u>
Total investment losses	<u>\$ (5,897)</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2015, including property designated as to a particular purpose, consisted of the following:

Leasehold improvements	\$ 158,600
Furniture and equipment	3,955,859
Computer software and equipment	118,671
Vehicles	4,814
Other equipment	<u>1,055,147</u>
	5,293,091
Less accumulated depreciation	<u>(4,411,506)</u>
Net property and equipment	<u>\$ 881,585</u>

Total depreciation expense for the year ended December 31, 2015 was \$914,600.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015 consist of the following:

2016	\$ 572,167
2017	561,430
2018	<u>410,837</u>
Total minimum lease payments	<u>\$ 1,544,434</u>

Rental expense related to operating leases was \$630,467 for the year ended December 31, 2015.

NOTE 5 – LINE OF CREDIT

UNAVCO has a line of credit of \$450,000 with a financial institution for operational needs. The line of credit expires on September 25, 2016. As of December 31, 2015, there was no outstanding draw on this line of credit.

NOTE 6 – LETTER OF CREDIT

At December 31, 2015, the UNAVCO had an irrevocable letter of credit with a financial institution with a maximum guarantee of up to \$62,000. This amount is required by the US Forest Service to be held for the decommissioning of stations on forest land sites, if necessary. The letter of credit renews automatically on an annual basis and expires on December 31, 2018. Outstanding borrowings accrue interest at a rate of Prime plus 4%. There were no borrowings on the letter of credit during 2015.

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, 2015 were \$775,074.

UNAVCO, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2015

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, 2015, approximately 92% of UNAVCO's revenues were from the NSF. At December 31, 2015, approximately 85% 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 financial statements.

SINGLE AUDIT REPORTS AND SCHEDULES

UNAVCO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subaward ID Number	Passed Through to Subrecipients	Federal Expenditures
Research and Development Cluster					
<i>The National Science Foundation</i>					
Collaborative Instrumentation: COCONet (Continuously Operating Caribbean GPS Observational Network)	47.050	EAR-1042906	-	\$ -	\$ 611,932
Passed-Through Pennsylvania State University Convergence of Space Geodesy in Plate Boundary Research and Geoscience Education	47.050	EAR-0955560	4183-UI-NSF-5560	-	4,031
Passed-Through Ohio State University Chile Argentina GPS Network Upgrades	47.050	EAR-1118514	60029791	-	19,330
Passed-Through Ohio State University The Greenland GPS network (GNET): Geodetic Characterization of Water Vapor, Climate Cycles, Climate Change and Ice Mass Balance	47.078	ARC-1111882	60029492	-	106,585
Passed-Through University of Colorado Collaborative Research: Rio Grande Rift II - Kinematics and Dynamics of Continental Deformation in Low Strain-Rate Environments	43.002	EAR-1053596	1548441	-	8,149
Passed-Through University of Wisconsin: GPS Measurements and Earthquake Cycle Modeling of the Mexico Subduction Zone	47.050	EAR-1114174	360K006	-	480
Passed-Through University of Houston: MRI Acquisition of GPS Equipment for Establishing a Continuously Operating Dense GPS Network In Houston	47.050	EAR-1229278	R-13-0028	-	70,070
Passed-Through Open Topography - A National Hub for High Resolution Topographic Data, Tools, and Knowledge	47.050	EAR-1226353	30575468	1,880	44,317
Support of UNAVCO, Inc. and Track 2: Developing a Sustainable RESESS Program	47.050	GEO-0914704	-	-	8,400

UNAVCO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subaward ID Number	Passed Through to Subrecipients	Federal Expenditures
Community & Facility Bridge Award	47.050	EAR-1255679	-	-	52,574
Community & Facility Bridge Supplemental Funding	47.050	EAR-1255679	-	-	8,724
Acquisition of Next Generation Terrestrial Laser Scanning Systems for Community Earth and Polar Science Research	47.050	EAR-1261653	-	-	193,442
Passed-Through POLENET-Antarctica: Investigating Links Between Geodynamics and Ice Sheets - Phase 2	47.050	PLR-1249631	60037412	-	54,766
RAPID GeoGONAF (Turkey)	47.050	EAR-1349838	-	-	26,505
GAGE (Geodetic Infrastructure)	47.050	EAR-1261833	-	751,954	14,558,715
TLALOCNet GPS-Met Array in Mexico	47.050	EAR-1338091	-	-	251,087
Community Workshop - Future of PBO in GAGE and After Earthscope	47.050	EAR-1441122	-	-	1,235
RAPID: Nevado del Ruiz cGPS Network 2015	47.050	EAR-1546923	-	-	9,411
SAVI-Harmonize Data Between EU and US	47.050	EAR-1321641	-	-	9,250
Earthcube Building Blocks: Collaborative Proposal Enabling Scientific Collaboration and Discovery Through Semantic Connections (VIVO)	47.050	ICER-1440213	-	-	135,428
REU Launchpad	47.050	EAR-1359469	-	-	67,378
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	47.050	PLR-1246111	UTA13-000910	-	695

UNAVCO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Subaward ID Number	Passed Through to Subrecipients	Federal Expenditures
Passed-Through EarthCube Building Blocks	47.050	ICER-1343709	93-UNAVCO-ECBB	-	62,674
Total for CFDA 47.050				753,834	16,305,178
Geodesy Curriculum - 21st Century (TUES)	47.076	DUE-1245025	-	25,610	70,340
The National Science Foundation				779,444	16,375,518
National Aeronautics and Space Administration Grants					
NASA ROSES NSAR	43.000	NNX12AF62A	-	-	89,768
NRA/ Research Opportunities in Space and Earth Sciences - 2013	43.000	NNX14AJ52A	-	89,158	201,183
Total for CFDA 43.000				89,158	290,951
Passed-through A New Mass Balance Estimation Method from Altimetry and InSAR: Application to the Greenland Ice Sheet and Arctic Ice Caps	43.001	NNX13AP95G	S1423		33,809
National Aeronautics and Space Administration Grants				89,158	324,760
United States Geological Survey					
Archiving of USGS Daily Global Positioning System Data at the UNAVCO Data Center Dated December 28, 2009	15.808	G10AP00062	-	-	(136)
Archiving of USGS Daily GPS Data dated September 30, 2014	15.808	G15AC00059	-	-	21,976
United States Geological Survey				-	21,840
Total Research and Development Cluster				\$ 868,602	\$ 16,722,118

UNAVCO, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2015

NOTE 1 – Basis of Accounting

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of UNAVCO under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of UNAVCO, it is not intended to and does not present the financial position, changes in net assets, or cash flows of UNAVCO.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. UNAVCO has negotiated a federally approved indirect cost rate of 15.86 percent as allowed under the Uniform Guidance.



**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, 2015, 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 27, 2016.

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.

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.

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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 27, 2016

**Independent Auditors' Report on Compliance for Each Major
Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance**

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 Compliance Supplement* that could have a direct and material effect on UNAVCO's major federal program for the year ended December 31, 2015. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2015-01. 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 the Uniform Guidance, 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002, that we consider to be significant deficiencies.

Board of Directors
UNAVCO, Inc.

UNAVCO's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. UNAVCO's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
June 27, 2016

UNAVCO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified? _____ yes _____ x _____ none
reported
3. Noncompliance material to financial statements noted? _____ yes _____ x _____ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified? _____ x _____ yes _____ none
reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ x _____ yes _____ no

Identification of Major Federal Programs

CFDA Numbers	Name of Federal Program or Cluster
15.808, 43.001, 43.002, 47.078, 43.000, 47.050, 47.076	Research and Development Cluster
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>750,000</u>
Auditee qualified as low-risk auditee?	_____ yes _____ x _____ no

UNAVCO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2015 – 001

Federal agency: National Science Foundation

Federal program title: Research and Development Cluster

CFDA Number: 47.050

Award Period: 1/1/2015 - 12/31/2015

Type of Finding:

- Noncompliance and Significant Deficiency with regard to Compliance Requirements

Criteria or specific requirement: 2 CFR Part 200 states that a provisional rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on Federal awards pending the establishment of a final rate for the period. A final rate will then be established with the federal/cognizant agency and an upward or downward adjustment will be made based on the actual costs incurred for the period involved. The results of each negotiation (provisional and final) must be formalized in a written agreement between the agency and the nonprofit organization.

Condition: UNAVCO's approved provisional indirect cost rate with the NSF was 52.87%. UNAVCO charged 55.29% for the fiscal year. At the time of testing, there had not been a new final rate negotiated with the NSF. As such, UNAVCO overcharged Fringe Benefit indirect costs by 2.4%.

Context: During our procedures, we noted that UNAVCO was overcharging for Fringe Benefit Indirect Costs. For the three grants selected for testing, we noted the following indirect costs charged that were above the negotiated rate:

- 47.050 Collaborative Instrumentation: COCONet (Continuously Operating Caribbean GPS Observations Network) – \$1,571
- 47.050 (GAGE Geodetic Infrastructure) – \$109,494
- 47.050 TLALOCNet GPS – Met Array in Mexico - \$2,679

Cause: UNAVCO charged the projects based upon the approved negotiated (52.87%) rate throughout the year. Then, at year-end, UNAVCO adjusted the charges to the project for actual indirect costs for fringe benefits (55.29%). UNAVCO had not yet negotiated a final rate with the NSF when making the year-end adjustment.

Effect: UNAVCO overcharged the NSF by \$115,938 for indirect costs incurred during Fiscal Year 2015, leading to non-compliance with regards to the agreed upon provisional rates.

UNAVCO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Questioned Costs:

- 47.050 Collaborative Instrumentation: COCONet (Continuously Operating Caribbean GPS Observations Network) – \$1,571
- 47.050 (GAGE Geodetic Infrastructure) – \$109,494
- 47.050 TLALOCNet GPS – Met Array in Mexico - \$2,679

Repeat Finding: No

Recommendation: We recommend that UNAVCO enhance their end of the year billing adjustment process to ensure that all indirect costs charged to the NSF do not go over the agreed upon provisional rates. If actual costs are not properly reflected in the agreed upon provisional rates, UNAVCO can negotiate final rates and adjust once approved by the NSF.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: UNAVCO agrees with the finding. UNAVCO will modify the year-end Indirect Rate process to reflect that true rates that result in higher rates than provisionally approved will be reflected in the financial statements. Reimbursement from the NSF will remain at or below the provisional rate until the final rate is approved.

Responsible party: Carol Deitesfeld, Controller

Planned completion date for corrective action plan: December 31, 2016

Plan to monitor completion of corrective action plan: During FY2016

2015 – 002

Federal agency: National Science Foundation

Federal program title: Research and Development Cluster

CFDA Number: 47.050

Award Period: 1/1/2015 - 12/31/2015

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200 states that entities expending federal grants must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. In addition, this guidance states that auditors are required to test such controls over compliance requirements.

UNAVCO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Condition: UNAVCO's cash management control process requires that cash draws are reviewed by the Business Administrator or President to ensure propriety of draw reimbursement requests. During our testing, we noted a cash drawdown made to NSF that was not properly approved.

Questioned costs: N/A

Context: During our procedures, we noted that one of the seven reimbursement requests tested was not reviewed by the Business Administration Director or President, which is part of their internal control procedures.

Cause: UNAVCO did not follow the internal control procedures established. The reimbursement request was prepared but not reviewed.

Effect: We noted no instances of noncompliance with the provisions of cash management; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat Finding: No

Recommendation: We recommend that UNAVCO design controls to ensure an adequate review process is in place for review of cash draws submitted to granting agencies.

Views of responsible officials and planned corrective actions:

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Ensure review process is in place for every cash draw request.

Responsible party: Carol Deitesfeld, Controller

Planned completion date for corrective action plan: April 2016

Plan to monitor completion of corrective action plan: During FY2016 Audit

UNAVCO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2015

Section IV – Prior Year Findings

FINDINGS RELATED TO FINANCIAL STATEMENTS

Finding 2014-001

Material Weakness

Summary: 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.

Status: Resolved.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2014-002 Research and Development Cluster

Allowable Costs

Significant Deficiency, Noncompliance

Summary: 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.

Status: Resolved.