UNAVCO, INC.

Financial Statements And Single Audit
Report As Of December 31, 2003

Together With Independent Auditors’ Report
INDEPENDENT AUDITORS’ REPORT

To the Board of Directors of
UNAVCO, Inc.:

We have audited the accompanying statement of financial position of UNAVCO, Inc. (“UNAVCO”) as of December 31, 2003, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of UNAVCO’s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated April 2, 2004, 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

JDS Professional Group

April 2, 2004

Members:
American Institute of Certified Public Accountants • Colorado Society of Certified Public Accountants
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UNAVCO, INC.

Statement Of Financial Position
As Of December 31, 2003

ASSETS

Cash and cash equivalents $ 502,374
Membership contributions receivable 3,000
Other receivables 711
Prepaid expenses 54,954
Property and equipment, net of accumulated depreciation of $18,156

116,024

TOTAL ASSETS

$ 677,063

LIABILITIES AND NET ASSETS

Liabilities:
Accounts payable $ 169,509
Accrued liabilities 192,357
Deferred revenue - federal contracts

108,984

Total Liabilities 470,850

Net Assets:
Unrestricted 206,213

TOTAL LIABILITIES AND NET ASSETS

$ 677,063

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

Statement Of Activities
For The Year Ended December 31, 2003

Support And Revenue:
  Federal contracts $ 2,912,732
  Membership contributions 5,000
  Miscellaneous income 7,716
  Interest income 56
  Total Support And Revenue 2,925,504

Expenses:
  Program Services -
    PBO 779,782
    Facility 931,381
    Existing networks 91,243
    Total Program Services 1,802,406
  Supporting Services -
    General and administrative 949,223
    Total Expenses 2,751,629

CHANGE IN NET ASSETS 173,875

Net Assets, Beginning Of Year 32,338

NET ASSETS, END OF YEAR $ 206,213

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

Statement Of Cash Flows
For The Year Ended December 31, 2003

Cash flows from operating activities:
  Change in net assets $ 173,875

Adjustments to reconcile change in net assets to
net cash provided by operating activities:
  Depreciation expense 17,623
  Changes in assets and liabilities -
    Decrease in federal contracts receivable 81,925
    Decrease in membership fees receivable 8,000
    (Increase) in other receivables (711)
    (Increase) in prepaid expenses (38,898)
    Increase in accounts payable 99,444
    Increase in accrued liabilities 173,553
    Increase in deferred revenue - federal contracts 54,310
  Net cash provided by operating activities 569,121

Cash flows from investing activities:
  Purchase of property and equipment (124,576)
  Net cash (used in) investing activities (124,576)

NET INCREASE IN CASH AND CASH EQUIVALENTS 444,545

Cash And Cash Equivalents, Beginning Of Year 57,829

CASH AND CASH EQUIVALENTS, END OF YEAR $ 502,374

The accompanying notes are an integral part of the financial statements.
(1) **Nature Of The Organization**

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

(2) **Summary Of Significant Accounting Policies**

**Method Of Accounting**

The financial statements of UNAVCO have been prepared on the accrual basis.

**Basis Of Presentation**


**Use Of Estimates**

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 at the date of the financial statements and the reported amounts of support, revenues and expenses during the reported period. Actual results could differ from those estimates.
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.

Property And Equipment

Property and equipment is stated at cost, or fair value if contributed. Expenditures for maintenance, repairs and minor replacements are charged to operations, and expenditures for major replacements and betterments with a useful life in excess of one year are capitalized. Property and equipment are stated at cost and depreciated over the following estimated useful lives using the straight-line method:

<table>
<thead>
<tr>
<th>Item</th>
<th>Estimated Useful Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>5 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>5 years</td>
</tr>
<tr>
<td>Computer software and equipment</td>
<td>3 years</td>
</tr>
</tbody>
</table>

The capitalization policy of UNAVCO is to capitalize purchases of $5,000 and greater and to expense purchases under $5,000. However, based upon UNAVCO’s current funding level, the capitalization policy used for these financial statements was $1,000. Based upon anticipated growth, the $5,000 threshold is expected to be used in future years.

Equipment with title vested in the federal government is not recorded in the statements of financial position, see Note 5.

Contributions

UNAVCO accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted
net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Deferred Revenue

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. Funds received from government sources in excess of costs incurred are reported as deferred revenues. For costs incurred in excess of funds received from sources, revenue and related receivables are recognized to the extent of such costs.

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 program and supporting services benefitted.

(3) Tax Exempt Status

UNAVCO has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contribution to UNAVCO. Accordingly, the accompanying financial statements contain no provision for income taxes.

(4) Concentration Of Credit Risk

The majority of UNAVCO's support and revenue is derived from federal contracts. During the year ended December 31, 2003, the National Science Foundation provided approximately 99% of UNAVCO's funding. The ability of UNAVCO to continue functioning at its current level of operations is dependent upon its ability to generate similar future funding.

UNAVCO's cash demand deposits are held at financial institutions at which deposits are insured up to $100,000 per institution by the FDIC. As of December 31, 2003 the balance at two financial institutions exceeded the FDIC limit by approximately $433,000, in total.
(5) **Property And Equipment**

Property with title vested in UNAVCO, including property designated as to a particular purpose, is recorded in the financial statements. Property and equipment consisted of the following as of December 31, 2003:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>$11,108</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>5,244</td>
</tr>
<tr>
<td>Computer software and equipment</td>
<td>117,828</td>
</tr>
<tr>
<td>Less: accumulated depreciation and amortization</td>
<td>134,180</td>
</tr>
</tbody>
</table>

Less: accumulated depreciation and amortization |

Net property and equipment $116,024

Equipment with title vested in the U.S. Government and other sponsors is not recorded in the statement of financial position. Purchases of such equipment, totaling $102,722 as of December 31, 2003, are recorded as expenses in the statement of activities. UNAVCO has the responsibility of maintaining property records and reporting balances to the respective government agency.

(6) **Commitments**

UNAVCO leases office space under an operating lease agreement. The term of the operating lease agreement is from October 2003 to September 2008. UNAVCO is able to terminate the operating lease agreement if they do not receive their annual funding on or before May 31 of each lease year. If the operating lease agreement is terminated UNAVCO shall pay the Leasor for the unamortized cost of tenant improvements and real estate commissions, amortized at 10% per annum. UNAVCO also leases other equipment under separate operating lease agreements. The term of these operating lease agreements ranges from two - three years. The future minimum operating lease payments, under all of these leases, are as follows:

<table>
<thead>
<tr>
<th>Year ended December 31</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$262,067</td>
</tr>
<tr>
<td>2005</td>
<td>261,817</td>
</tr>
<tr>
<td>2006</td>
<td>260,322</td>
</tr>
<tr>
<td>2007</td>
<td>257,207</td>
</tr>
<tr>
<td>2008</td>
<td>192,905</td>
</tr>
</tbody>
</table>

Total minimum lease payments $1,234,318
Rent expense for the year ended December 31, 2003 was $68,956.

(7) **Employee Benefit Plan**

Permanent employees of UNAVCO participate in the Teachers Insurance Annuities Association's College Retirement Equities Fund (TIAA/CREF). 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, 2003 were $91,366.
Supplemental Schedule Of Expenditures Of Federal Awards
For The Year Ended December 31, 2003

<table>
<thead>
<tr>
<th>Federal Grantor and Program Title</th>
<th>Federal CFDA Number</th>
<th>Identifying Number</th>
<th>Total Expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>The National Science Foundation - **</td>
<td>47.050</td>
<td>EAR-0229402</td>
<td>$ 547,676</td>
</tr>
<tr>
<td>Support for UNAVCO, Inc. Headquarter Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for UNAVCO, Inc. and Pre-Plate Boundary Observatory (PBO) Planning Activities</td>
<td>47.050</td>
<td>EAR-0200066</td>
<td>153,607</td>
</tr>
<tr>
<td>Support for UNAVCO, Inc. and Global Positioning System (GPS) Campaign Equipment</td>
<td>47.050</td>
<td>EAR-0214355</td>
<td>159,516</td>
</tr>
<tr>
<td>Support for UNAVCO, Inc. and Long Valley Workshop</td>
<td>47.050</td>
<td>EAR-0331712</td>
<td>34,073</td>
</tr>
<tr>
<td>Support for UNAVCO, Inc. Community and Facility Activity</td>
<td>47.050</td>
<td>EAR-0321760</td>
<td>1,143,510</td>
</tr>
<tr>
<td>Support for UNAVCO, Inc. and PBO MRE Facility</td>
<td>47.050</td>
<td>EAR-0323700</td>
<td>760,733</td>
</tr>
<tr>
<td>Support for UNAVCO, Inc. and Existing Networks</td>
<td>47.050</td>
<td>EAR-0318549</td>
<td>113,617</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td></td>
<td>$2,912,732</td>
</tr>
</tbody>
</table>

** Major program

The accompanying notes are an integral part of this schedule.
(1) **Method Of Accounting**

The supplemental schedule of expenditures of federal awards has been prepared on an accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Not-For-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
UNAVCO, Inc.:

We have audited the financial statements of UNAVCO, Inc. (“UNAVCO”) as of and for the year ended December 31, 2003, and have issued our report thereon dated April 2, 2004. 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 Governmental Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether UNAVCO’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered UNAVCO’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.
This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

JDS Professional Group

April 2, 2004
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
UNAVCO, Inc.:

Compliance

We have audited the compliance of UNAVCO, Inc. ("UNAVCO") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2003. UNAVCO’s major program is identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of UNAVCO’s management. Our responsibility is to express an opinion on UNAVCO’s compliance based on our audit.

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 a 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. Our audit does not provide a legal determination of UNAVCO’s compliance with those requirements.

In our opinion, UNAVCO complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2003.
Internal Control Over Compliance

The management of UNAVCO is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered UNAVCO’s internal control over compliance with requirements that could have a direct and material effect on its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

JDS Professional Group

April 2, 2004
Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report: unqualified

Internal control over financial reporting:

Material weakness(es) identified? __ yes X no

Reportable condition(s) identified that are not considered to be material weakness(es)? __ yes X none reported

Noncompliance material to financial statements noted? __ yes X no

Federal Awards

Internal control over major program:

Material weakness(es) identified? __ yes X no

Reportable condition(s) identified that are not considered to be material weakness(es)? __ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? __ yes X no
Identification of major program:

<table>
<thead>
<tr>
<th>CFDA or other Identifying Number</th>
<th>Name of Federal Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>47.050</td>
<td>The National Science Foundation - Support for UNAVCO, Inc. Headquarters Operations</td>
</tr>
<tr>
<td>47.050</td>
<td>The National Science Foundation - Support for UNAVCO, Inc. and Pre-Plate Boundary Observatory (PBO) Planning Activities</td>
</tr>
<tr>
<td>47.050</td>
<td>The National Science Foundation - Support for UNAVCO, Inc. and Global Positioning System (GPS) Campaign Equipment</td>
</tr>
<tr>
<td>47.050</td>
<td>The National Science Foundation - Support for UNAVCO, Inc. and Long Valley Workshop</td>
</tr>
<tr>
<td>47.050</td>
<td>The National Science Foundation - Support for UNAVCO, Inc. Community and Facility Activity</td>
</tr>
<tr>
<td>47.050</td>
<td>The National Science Foundation - Support for UNAVCO, Inc. and PBO MRE</td>
</tr>
<tr>
<td>47.050</td>
<td>The National Science Foundation - Support for UNAVCO, Inc. and Existing Networks</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? yes X no

Section II - Financial Statement Findings

No matters were reported.
Section III - Federal Award Findings and Questioned Costs

No matters were reported.
There were no prior audit findings.