

UNAVCO, INC.

Financial Statements And Single Audit
Report As Of December 31, 2007

Together With Independent Auditors' Report

JDS professional
group
certified public accountants, consultants and advisors

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, 2007, 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 the 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 as of December 31, 2007, 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 our report dated June 16, 2008, 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. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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

June 16, 2008

UNAVCO, INC.

Statement Of Financial Position
As Of December 31, 2007

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ASSETS

Cash and cash equivalents	\$ 985,737
Membership contributions receivable	1,000
Federal grants receivable	1,833,389
Other receivables	286,428
Prepaid expenses	233,784
Property and equipment, net	896,671
Security deposits	<u>49,117</u>

TOTAL ASSETS \$ 4,286,126

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 2,197,320
Accrued liabilities	963,322
Capital lease obligations	<u>625,715</u>

Total Liabilities 3,786,357

Net Assets:

Unrestricted	<u>499,769</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 4,286,126

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

UNAVCO, INC.Statement Of Activities
For The Year Ended December 31, 2007

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Support And Revenue:	
Federal contracts	\$ 33,740,873
Membership contributions	16,000
Fee for service	1,497,413
Interest income	9,748
Total Support And Revenue	<u>35,264,034</u>
Expenses:	
Program Services -	
PBO	25,857,513
Facility	5,452,505
Existing networks	1,071,298
Education and outreach	147,231
WINSAR images	96,294
Total Program Services	<u>32,624,841</u>
Supporting Services -	
General and administrative	<u>2,410,755</u>
Total Expenses	<u>35,035,596</u>
CHANGE IN NET ASSETS	228,438
Net Assets, Beginning Of Year	<u>271,331</u>
NET ASSETS, END OF YEAR	<u><u>\$ 499,769</u></u>

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

UNAVCO, INC.

Statement Of Cash Flows
For The Year Ended December 31, 2007

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Cash flows from operating activities:	
Change in net assets	\$ 228,438
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	180,594
Changes in assets and liabilities -	
Decrease in federal grants receivable	107,033
Decrease in membership fees receivable	4,149
(Increase) in other receivables	(88,663)
(Increase) in prepaid expenses	(178,026)
(Increase) in security deposits	(4,000)
Increase in accounts payable	664,031
(Decrease) in accrued liabilities	<u>(57,010)</u>
Net cash provided by operating activities	<u>856,546</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(80,955)</u>
Net cash (used in) investing activities	<u>(80,955)</u>
Cash flows from financing activities:	
Payments of capital lease obligations	<u>(343,755)</u>
Net cash (used in) financing activities	<u>(343,755)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	431,836
Cash And Cash Equivalents, Beginning Of Year	<u>553,901</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 985,737</u></u>
Supplemental Disclosure:	
Cash paid for interest on capital leases	<u>\$ 45,229</u>
Equipment purchased under capital leases	<u><u>\$ 582,603</u></u>

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 incorporation is intended to enable better community oversight of and input into UNAVCO activities. It will also enable application and receipt of funds from federal agencies, such as the National Science Foundation (“NSF”), for support of these communities.

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

Method Of Accounting

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

Basis Of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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, 2007, UNAVCO had no temporarily or permanently restricted net assets.

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:

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

The capitalization policy of UNAVCO is to capitalize purchases of \$5,000 and greater and to expense purchases under \$5,000.

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.

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. 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.

Other revenue is recognized when earned.

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, 2007, the National Science Foundation provided approximately 96% 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 has contracted with an Australian company (the "Company") to manufacture specialized equipment. The Company is the sole producer of this type of equipment. UNAVCO has mitigated its risk by requiring the Company to implement a succession plan if the key employee (who is the owner and chief scientist) was unable to continue due to health or other problems. Additionally, UNAVCO has placed a lien against the inventory used to produce such equipment. If the Company were unable to deliver the final products, UNAVCO would own the inventory which would allow UNAVCO to find an alternative to producing the specialized equipment.

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, 2007, the balance at the financial institution exceeded the FDIC limit by approximately \$1,549,000.

(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, 2007:

Leasehold improvements	\$ 131,292
Furniture and fixtures	5,245
Computer software and equipment	118,671
Vehicles	<u>1,216,604</u>
	1,474,812
Less: accumulated depreciation and amortization	<u>(575,141)</u>
Net property and equipment	<u>\$ 896,671</u>

As of December 31, 2007, the gross amount for the vehicles under capitalized lease arrangements is \$1,211,791, and the accumulated amortization amounted to \$413,540.

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 are recorded as expenses in the statement of activities. Expenses recorded in 2007 were \$4,355,317, and the accumulated total as of December 31, 2007 was approximately \$18,786,000. UNAVCO has the responsibility of maintaining property records and reporting balances to the respective government agency.

(6) Capital Lease Obligation

UNAVCO has entered into various capital lease arrangements for the purchase of thirty-four vehicles. These arrangements require a minimum lease payment of principal and interest, totaling \$388,968 per year, through 2011. The imputed interest rates on the leases range from 7.3% to 17% and are secured by the vehicles.

Total future payments	\$ 660,959
Less: interest	<u>(35,244)</u>
Present value of minimum lease payments	625,715
Less: current portion	<u>(568,570)</u>
Total long-term obligation	<u>\$ 57,145</u>

Future annual maturities of capital lease obligations outstanding at December 31, 2007, are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2008	\$ 568,570
2009	34,979
2010	13,730
2011	<u>8,436</u>
	<u>\$ 625,715</u>

Interest expense incurred for the year ended December 31, 2007, was \$45,229.

(7) Commitments

UNAVCO leases office space under various operating lease agreements. UNAVCO is able to terminate the operating lease agreements if they do not receive their annual funding from NSF. Several of the operating lease agreements state that if the agreement is terminated, UNAVCO shall pay the Lessor for the unamortized cost of tenant improvements and/or real estate commissions. As of December 31, 2007, the unamortized cost was approximately \$21,169. UNAVCO also leases other equipment under separate operating lease agreements. The term of these operating lease agreements ranges from two - five years. The future minimum operating lease payments, under all of these leases, are as follows:

Year Ended December 31,

2008	\$ 374,395
2009	302,881
2010	296,601
2011	305,499
2012	314,664
Thereafter	<u>241,269</u>
Total minimum lease payments	<u>\$ 1,835,309</u>

Rent expense and related charges for the year ended December 31, 2007, was \$633,834.

As of December 31, 2007, UNAVCO had unfilled purchase order commitments of approximately \$7,791,568.

(8) **Line Of Credit**

In August 2006, UNAVCO renewed its revolving line of credit agreement in the amount of \$250,000 with a bank. The line of credit has an Irrevocable Letter of Credit with the USDA Forest Service for \$62,000 as part of a performance bond to clean up a site. As of December 31, 2007, no amount was outstanding or drawn on. This line of credit is secured by assets of the Organization.

(9) **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, 2007 were \$694,261.

UNAVCO, INC.

**Supplemental Schedule Of Expenditures Of Federal Awards
For The Year Ended December 31, 2007**

Federal Grantor and Program Title	Federal CFDA Number	Identifying Number	Total Expended
<u>The National Science Foundation -</u>			
Support for UNAVCO, Inc. and Support of UNAVCO Community and Facility Activities **	47.050	EAR-0321760	\$ 3,994,270
Support for UNAVCO, Inc. and Collaborative Research: EarthScope Acquisition, Construction, Facility Management, Operations and Maintenance/Plate Boundary Observatory (PBO) **	47.050	EAR-0323700	26,057,514
Support for UNAVCO, Inc. and Collaborative Research: EarthScope-Facility Operations and Maintenance (PBO) **	47.050	EAR-0323704	1,981,055
Support for UNAVCO, Inc. and ITR Collaborative Research: GEON: A Research Project to Create Cyberinfrastructure For the Geosciences **	47.050	EAR-0408228	39,245
Support for UNAVCO, Inc. and PBO Nucleus: Support for an Integrated Existing Geodetic Network in the Western U.S. **	47.050	EAR-0453975	1,137,787
Support for UNAVCO, Inc. and Track 2 Research and Education In Solid Earth Science for Students (RESESS): Adapting SOARS to Solid Earth **	47.050	EAR-0503613	73,751
Support for UNAVCO, Inc. and Workshops for Establishing a Stable North American Reference Frame (SNARF #2) to Enable Geophysical and Geodetic Studies with EarthScope **	47.050	EAR-0545870	20,957
Support for UNAVCO, Inc. and Collaborative Research: Development of a Power and Communication System for Remote Autonomous GPS and Seismic Stations in Antarctica **	47.050	EAR-0619908	211,331
Support for UNAVCO, Inc. and Support for Using EarthScope Data in Secondary Classrooms: A Pilot Workshop to Engage Teachers and Scientists in Cascadia Curriculum Development **	47.050	EAR-0637157	5,718
Support for UNAVCO, Inc. and Support for GEO Centers Workshops **	47.050	EAR-0718531	28,705
Support for UNAVCO, Inc. and TLS System for Polar	47.078	ANT-0723223	197,597
Total National Science Foundation			\$ 33,747,930

** Major program

The accompanying notes are an integral part of this schedule.

UNAVCO, INC.

Note To Supplemental Schedule Of Expenditures Of Federal Awards
For The Year Ended December 31, 2007

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(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.

(2) Subrecipients

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

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Support for UNAVCO, Inc. and Support for using EarthScope Data in Secondary Classrooms	47.050	\$ 3,664
Support for UNAVCO, Inc. and Support of UNAVCO Community and Facility Activities	47.050	88,401
Support for UNAVCO, Inc. and Collaborative Research: EarthScope-Facility Operations and Maintenance (PBO)	47.050	328,195
Support for UNAVCO, Inc. and PBO Nucleus: Support for an Integrated Existing Geodetic Network in the Western U.S.	47.050	551,128
Support for UNAVCO, Inc. and Collaborative Research: EarthScope Acquisition, Construction, Facility Management, Operations and Maintenance/ Plate Boundary Observatory (PBO)	47.050	<u>1,817,348</u>
		<u>\$ 2,788,736</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

To the Board of Directors of the
UNAVCO, Inc.:

We have audited the financial statements of UNAVCO, Inc., ("UNAVCO") for the year ended December 31, 2007, and have issued our report thereon dated June 16, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered UNAVCO's internal control over financial reporting as a basis for designing our auditing procedures for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UNAVCO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of UNAVCO's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Independent Auditors' Report (Continued)

Compliance And Other Matters

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 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of findings and responses as items 2007-01 and 2007-02.

We noted certain other matters that we reported to management of UNAVCO in a separate letter dated June 16, 2008.

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

JDS Professional Group

June 16, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OFFICE OF MANAGEMENT AND BUDGET 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 each of its major federal programs for the year ended December 31, 2007. UNAVCO's major federal programs are 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 each of its major federal programs is the responsibility of UNAVCO's management. Our responsibility is to express an opinion on the 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, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-01 and 2007-02.

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 a major federal

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Independent Auditors' Report (Continued)

program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

UNAVCO's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit UNAVCO's response and, accordingly, we express no opinion on it.

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

JDS Professional Group

June 16, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report: unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(s) identified
that are not considered to be material
weakness(es)? 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(s) identified
that are not considered to be material
weakness(es)? yes 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 no

UNAVCO, INC.

Schedule Of Findings And Questioned Costs (Continued)
For The Year Ended December 31, 2007

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Identification of major program:

CFDA	Name of Federal Program
47.050	The National Science Foundation - Support for UNAVCO, Inc. and Support of UNAVCO Community and Facility Activities
47.050	The National Science Foundation - Support for UNAVCO, Inc. and Collaborative Research: EarthScope Acquisition, Construction, Facility Management, Operations and Maintenance/PBO
47.050	The National Science Foundation - Support for UNAVCO, Inc. and Collaborative Research: EarthScope-Facility Operations and Maintenance (PBO)
47.050	The National Science Foundation - Support for UNAVCO, Inc. and ITR Collaborative Research: GEON
47.050	The National Science Foundation - Support for UNAVCO, Inc. and PBO Nucleus
47.050	The National Science Foundation - Support for UNAVCO, Inc. and Track 2 Research and Education in Solid Earth Science for Students (RESESS)
47.050	The National Science Foundation - Support for UNAVCO, Inc. and Workshops for Establishing a Stable North American Reference Frame
47.050	The National Science Foundation - Support for UNAVCO, Inc. and Collaborative Research: Development of a Power and Communication System for Remote Autonomous GPS and Seismic Stations in Antarctica
47.050	The National Science Foundation - Support for UNAVCO, Inc. and Support for Using EarthScope Data in Secondary Classrooms
47.050	The National Science Foundation - Support for UNAVCO, Inc. and Support for GEO Centers Workshops
47.050	The National Science Foundation - Support for UNAVCO, Inc. and PBO Operations and Maintenance

UNAVCO, INC.

Schedule Of Findings And Questioned Costs (Continued)
For The Year Ended December 31, 2007

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Dollar threshold used to distinguish
between type A and type B programs: \$1,012,438

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2007-01: National Science Foundation, CFDA # 47.050 - Support for UNAVCO, Inc.
And Support of UNAVCO Community and Facility Activities

Criteria: Per OMB Circular A-110, Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Non-Federal entities must verify that contractors receiving awards of \$25,000 or more are not suspended or debarred or otherwise excluded.

Condition: UNAVCO did not perform verification of suspension and debarment for one contractor receiving awards of \$25,000 or more.

Effect: UNAVCO is not in compliance with the suspension and debarment requirements.

Cause: UNAVCO handled numerous contracts with different contractors during the year and missed verifying one contractor.

Recommendation: UNAVCO should review the suspension and debarment verification in each vendor file to ensure that the appropriate suspension and debarment verifications are performed for all contractors receiving awards of \$25,000 or more.

Response: We concur with the recommendation, and a review of the vendor files was implemented in the beginning of 2008. Additionally, we will discuss with purchasing the importance of receiving the suspension and debarment verification for all contractors receiving awards of \$25,000 or more.

Finding 2007-02: National Science Foundation, CFDA # 47.050 - Support for UNAVCO, Inc. And Support of UNAVCO Community and Facility Activities

Criteria: Per OMB Circular A-110, the grant recipient is required to maintain accurate equipment records and shall include a description of equipment, identification number, award number, acquisition date, location, condition, cost, and disposition data.

Condition: UNAVCO did not track a piece of equipment purchased with Federal funds on their government property inventory listing.

Effect: UNAVCO is not in compliance with equipment and real property management requirements.

Cause: UNAVCO handled hundreds of equipment purchases and missed tracking one piece of equipment.

Recommendation: We recommend UNAVCO review the government property listing to ensure accurate records are being maintained and equipment purchases are properly tracked.

Response: We concur with the recommendation. We will increase the frequency of our comparison of the government property listings to the financial records to ensure accurate records are being maintained and equipment purchases are properly tracked. Effective June 24, 2008 we will complete this review at least quarterly.

UNAVCO, INC.

Summary Schedule Of Prior Audit Findings
For The Year Ended December 31, 2007

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There were no prior audit findings.