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Management
UNAVCO, Inc.
Boulder, Colorado

In planning and performing our audit of the financial statements of UNAVCO, Inc. as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and other matters that are opportunities to strengthen your internal control. Our comments and suggestions regarding those matters are summarized below. A separate communication dated June 1, 2017, contains our written communication of a significant deficiency in the entity's internal control. This letter does not affect our communication dated June 1, 2017.

Service Auditor's Report (SSAE 18 report)

User organizations that obtain a Service Auditor's Report (SSAE18 report) from their service organizations receive valuable information regarding the service organization's controls and the effectiveness of those controls. An SSAE 18 engagement allows a service organization to have its control policies and procedures evaluated and tested by an independent party. SSAE 18 engagements are generally performed by audit, risk, and control-oriented professionals who have experience in accounting, auditing, and information security.

UNAVCO, Inc. uses a service organization to process payroll. UNAVCO, Inc. is ultimately responsible for the information held and processed by service organizations and should therefore monitor contracted service organizations to ensure they have proper controls in place over data processing, data management and security protocols related to customer information.

We recommend that the UNAVCO, Inc. request these SSAE 18 reports from the service organization that is used to process payroll for the organization on an annual basis. The organization should then review the detailed description of the service organization's controls and whether the controls were placed in operation, suitably designed, and operating effectively.

In addition, although not internal control or current operations matters, we have summarized below some developing changes for you to monitor:

Accounting Standards Updates

Upcoming Changes to Non-profit Financial Reporting

Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, was released August 18, 2016 by the Financial Accounting Standards Board (FASB), with the ASU effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application of the amendments of FASB ASU 2016-14 is permitted.

The changes in this ASU are the first significant changes to not-for-profit entities' financial statement presentation in more than 20 years. This ASU is intended to improve presentation and disclosures and provide more relevant information about a not-for-profit's resources and the changes in those resources to users of the financial statements. The new standard is intended to simplify how not-for-profits (NFPs) classify net assets and improve information provided about NFPs' liquidity, financial performance, expenses, and cash flows. Adoption of FASB ASU 2016-14 will result in significant changes to financial reporting for NFPs.

Accounting for Leases

In February 2016, the FASB issued Accounting Standards Update 2016-02 which amended the guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The changes to the recording of leases will require leases to be carried as assets and liabilities on the statement of financial position. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The amendments in the guidance are effective for fiscal years beginning after December 15, 2018 or for fiscal years beginning after December 15, 2019. Early adoption is permitted.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

We recommend UNAVCO perform a preliminary assessment of the impact of the upcoming changes in accounting standards to help to identify controls, processes and systems that may be affected.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various entity personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.



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Greenwood Village, Colorado
June 1, 2017