

UNAVCO, INC.  
Boulder, Colorado

FINANCIAL STATEMENTS  
December 31, 2012

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
UNAVCO, Inc.  
Boulder, Colorado

We have audited the accompanying financial statements of UNAVCO, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, 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, 2012, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Government and Non-Profit Organizations* (Circular A-133) is presented for purposes of additional analysis 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 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 25, 2013 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 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's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

Denver, Colorado  
June 25, 2013

**UNAVCO, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2012**

**ASSETS**

**ASSETS**

|                                     |                |
|-------------------------------------|----------------|
| Cash and cash equivalents           | \$ 346,366     |
| Cash and cash equivalents - federal | 1,632,256      |
| Investments                         | 200,263        |
| Federal grants receivable           | 137,539        |
| Deposits                            | 36,630         |
| Other receivables                   | 526,911        |
| Prepaid expenses                    | 114,043        |
| Property and equipment, net         | <u>112,451</u> |

**TOTAL ASSETS** **\$ 3,106,459**

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|                            |               |
|----------------------------|---------------|
| Accounts payable           | \$ 805,691    |
| Accrued liabilities        | 676,854       |
| Deferred revenue - federal | 733,481       |
| Deferred revenue - other   | <u>32,790</u> |

Total liabilities 2,248,816

**NET ASSETS**

Unrestricted 857,643

**TOTAL LIABILITIES AND NET ASSETS** **\$ 3,106,459**

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

**UNAVCO, INC.**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2012**

**REVENUES AND OTHER SUPPORT**

|                                  |                   |
|----------------------------------|-------------------|
| Federal agency revenue           |                   |
| Federal grants                   | \$ 19,375,937     |
| Fee for service                  | 498,533           |
| Other income                     | <u>105,490</u>    |
| Total federal revenue            | 19,979,960        |
| Membership contributions         | 10,000            |
| Fee for service                  | 329,031           |
| Interest income                  | <u>1,478</u>      |
| Total revenues and other support | <u>20,320,469</u> |

**EXPENSES**

|                                  |                   |
|----------------------------------|-------------------|
| Program services                 |                   |
| Plate Boundary Observatory (PBO) | 10,332,689        |
| Facility cooperative agreement   | 4,016,154         |
| Network enhancement              | 1,145,990         |
| Data products and archiving      | 619,153           |
| Polar programs                   | 305,533           |
| Education and outreach           | 451,357           |
| Principal investigator programs  | 634,254           |
| Commercial                       | 269,881           |
| Other                            | <u>21,671</u>     |
| Total program services           | 17,796,682        |
| General and administrative       | <u>2,320,886</u>  |
| Total expenses                   | <u>20,117,568</u> |

**CHANGE IN NET ASSETS** 202,901

**NET ASSETS, BEGINNING OF YEAR** 654,742

**NET ASSETS, END OF YEAR** \$ 857,643

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

**UNAVCO, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2012**

|  |                     |
|--|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                     |
| Change in net assets   | \$ 202,901          |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities |                     |
| Depreciation   | 27,675              |
| Unrealized loss on investments   | 49,924              |
| Effects of changes in operating assets and liabilities:  |                     |
| Federal grants receivable  | 1,111,227           |
| Other receivable   | (395,928)           |
| Prepaid expenses   | (32,176)            |
| Deposits   | 4,043               |
| Accounts payable   | (5,687)             |
| Accrued liabilities  | 35,861              |
| Deferred revenue   | <u>766,271</u>      |
| Net cash provided by operating activities  | <u>1,764,111</u>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                     |
| Purchase of equipment  | <u>(118,500)</u>    |
| Net cash used in financing activities  | <u>(118,500)</u>    |
| <b>INCREASE IN CASH AND CASH EQUIVALENTS</b>   | 1,645,611           |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>  | <u>333,011</u>      |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>  | <u>\$ 1,978,622</u> |

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

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**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 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.

**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, 2012, 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 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.

**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. As of December 31, 2012, the Internal Revenue Service has not proposed any adjustments that would result in a material change to the organization's financial position. The organization is no longer subject to U.S. federal or state income tax examinations by tax authorities for the years ended December 31, 2008 and prior.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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**

Certificates of deposit are classified as investments if they do not meet the definition of a cash equivalent due to original term to maturity of over three months. UNAVCO's investments consist of certificates of deposits with original maturities of nine months to five years.

**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, 2012, 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, 2012, there were no amounts written off as uncollectible receivables.

**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          | 5 years            |
| Furniture and fixtures          | 5 years            |
| Computer software and equipment | 3 years            |
| Vehicles                        | 5 years            |

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The cost of certain equipment used by UNAVCO in operations is not reflected in the statement of financial position because the asset title remains with the federal government. See Note 2.

**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, 2012.

**Accrued Vacation**

UNAVCO employees earn between 160 and 256 hours of paid time off each year, 432 of which can be carried over from year to year. At January 1 of each year, any amount accrued greater than 432 hours is forfeited. Accrued hours carried over from year to year are recorded as accrued wages payable at year-end. As of December 31, 2012, total accrued vacation is \$634,100 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 25, 2013, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2012, but prior June 25, 2013, that provided additional evidence about conditions that existed at December 31, 2012 have been recognized in the financial statements for the year ended December 31, 2012. Events or transactions that provided evidence about conditions that did not exist at December 31, 2012 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, 2012.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 2 – 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 at December 31, 2012, consists of the following:

|                                   |                          |
|-----------------------------------|--------------------------|
| Leasehold improvements            | \$ 158,600               |
| Furniture and equipment           | 5,244                    |
| Computer software and equipment   | 118,671                  |
| Vehicles                          | 4,814                    |
| Other equipment                   | <u>118,500</u>           |
|                                   | 405,829                  |
| Less accumulated depreciation     | <u>(293,378)</u>         |
| <b>Net property and equipment</b> | <b><u>\$ 112,451</u></b> |

Total depreciation expense for the year ended December 31, 2012 was \$27,675.

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 expense in the statement of activities. Gross additions in 2012 were \$2,093,143 and the accumulated total of Federal property as of December 31, 2012 was approximately \$22,516,589. UNAVCO has the responsibility of maintaining property records and reporting balances to the respective government agency.

**NOTE 3 – LEASES**

**Operating Leases**

UNAVCO leases office space and equipment under several operating lease agreements with various obligation amounts and terms ranging from two to 15 years. 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, 2012 consist of the following:

|                                     |                            |
|-------------------------------------|----------------------------|
| 2013                                | \$ 819,552                 |
| 2014                                | 527,826                    |
| 2015                                | 515,802                    |
| 2016                                | 511,706                    |
| 2017                                | 527,057                    |
| Thereafter                          | <u>407,151</u>             |
| <b>Total minimum lease payments</b> | <b><u>\$ 3,309,094</u></b> |

Rental expense related to operating leases was \$686,909 for the year ended December 31, 2012.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2012**

**NOTE 4 – LINE OF CREDIT**

UNAVCO has a line of credit of \$250,000 with a financial institution. Of this amount, \$62,000 is required by the US Forest Service to be held for the decommissioning of stations on forest land sites, if necessary. As such, only \$188,000 is available for operational needs. As of December 31, 2012, there was no outstanding draw on this credit facility.

**NOTE 5 – 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, 2012 were \$667,490.

**NOTE 6 – 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, 2012, approximately 94% of UNAVCO's revenues were from the NSF. At December 31, 2012, approximately 15% of accounts receivable was due from NASA.

**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 accompanying financial statements.

**SINGLE AUDIT REPORTS AND SCHEDULES**

**UNAVCO, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2012**

| Federal Grantor and Program Title   | Federal<br>CFDA Number | Identifying<br>Number | Federal<br>Expenditures | Sub-award<br>Identifying<br>Number |
|---|------------------------|-----------------------|-------------------------|------------------------------------|
| <b>Research and Development Cluster</b>   |                        |                       |                         |                                    |
| <b><i>The National Science Foundation</i></b>   |                        |                       |                         |                                    |
| Support for UNAVCO, Inc. and Collaborative Research: EarthScope Facility Operation and Maintenance  | 47.050                 | EAR-0732947           | \$ 11,305,553           | N/A                                |
| Passed-Through University of California - San Diego RAPID - Response to the Increased Seismic Activity Along the San Jacinto Fault Zone Following the April 2010 Ms 7.2 El Major-Cucapah Earthquake | 47.050                 | EAR-1057842           | 6,021                   | PO#10311794                        |
| Collaborative Instrumentation: COCONet (Continuously Operating Caribbean GPS Observational Network)   | 47.050                 | EAR-1042906           | 1,218,508               | N/A                                |
| Real Time Meeting   | 47.050                 | EAR-1207692           | 45,202                  | N/A                                |
| Support for UNAVCO, Inc. and Facility Support: Geodesy Advancing Earth Science  | 47.050                 | EAR-0735156           | 4,573,407               | N/A                                |
| Passed-Through Pennsylvania State University Convergence of Space Geodesy in Plate Boundary Research and Geoscience Education   | 47.050                 | EAR-0955560           | 5,710                   | 4183-UI-NSF-5560                   |
| Passed-Through Georgia Tech University RAPID: Tsunami Reconnaissance of the 11 March 2011 Sendai Tsunami and Earthquake in Japan and Pacific Islands  | 47.041                 | CMMI-1135768          | (2,398)                 | RB942-G1                           |
| Passed-Through Woods Hole Oceanographic Institute Collaborative Research: The Influence of Hydrofracture and Melt Variability on Greenland Ice Sheet Flow   | 47.078                 | ARC-1023364           | 21,584                  | A100743                            |
| Passed-Through Georgia Institute of Technology: Rapid: Capturing Ongoing Volcanic Inflation at Santorini Caldera, Greece.   | 47.050                 | EAR-153355            | 4                       | RC533-G1                           |
| Passed-Through Rutgers University Investigating Hydrology-Driven models for Methane Cycling in Northern Peatlands   | 47.050                 | EAR-1045084           | 462                     | 4418                               |
| Passed-Through Ohio State University Chile Argentina GPS Network Upgrades   | 47.050                 | EAR-1118514           | 23,729                  | 60029791                           |
| 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           | 76,401                  | 60029492                           |
| Passed-Through University of Wisconsin: GPS Measurements and earthquake cycle modeling of the Mexico subduction zone  | 47.050                 | EAR-1114174           | 29,287                  | 360K006                            |
| Passed-Through Columbia University Collaborative Research: Tectonic and Magmatic processes During Early-Stage Rifting: Malawi, Africa   | 47.050                 | EAR-1110921           | 32,703                  | 1(GG006672)                        |
| Passed-Through Hamilton College: LARISSA 2013   | 47.078                 | ANT-1143981           | 87,717                  | HAM-012013                         |
| Passed-Through University of Houston: MRI Acquisition of GPS Equipment for Establishing a Continuously Operating Dense GPS Network In Houston   | 47.050                 | EAR-1229278           | 614                     | R-13-0028                          |
| Data Communications Support for GPS Observations of Crustal Deformation Associated with the 2010 Chile Earthquake   | 47.050                 | EAR-1036939           | 30,753                  | N/A                                |
| Enhanced Support for GPS Networks and Terrestrial Laser Scanning in Polar Regions   | 47.078                 | ANT-1053220           | 352,643                 | N/A                                |

**UNAVCO, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2012**  
(Continued)

| Federal Grantor and Program Title   | Federal<br>CFDA Number | Identifying<br>Number | Federal<br>Expenditures     | Sub-award<br>Identifying<br>Number |
|---|------------------------|-----------------------|-----------------------------|------------------------------------|
| <b><i>The National Science Foundation</i></b> (Continued)   |                        |                       |                             |                                    |
| EarthScope Comprehensive SAR Archive  | 47.050                 | EAR-0952375           | 162,850                     | N/A                                |
| Support of UNAVCO, Inc. and Track 2: Developing a Sustainable RESESS Program  | 47.050                 | GEO-0914704           | 445,728                     | N/A                                |
| Support for UNAVCO, Inc. and Collaborative Research: EarthScope Facility Operation and Maintenance (ARRA)   | 47.082 (ARRA)          | EAR-0732947           | 390,803                     | N/A                                |
| MRI-R2: Acquisition of GPS Equipment for Africa Array (ARRA)  | 47.082 (ARRA)          | EAR-0960160           | 12,648                      | N/A                                |
| 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           | <u>15,025</u>               | 1548441                            |
| <b><i>The National Science Foundation</i></b>   |                        |                       | <u>18,834,954</u>           |                                    |
| <b><i>National Aeronautics and Space Administration Grants</i></b>  |                        |                       |                             |                                    |
| Discovery and Delivery of Space Geodetic Data Products from Distributed Archives  | 43.000                 | NNX10AF07A            | 142,523                     | N/A                                |
| Science Data Systems for Satellite and Airborne LIDAR Data  | 43.000                 | NNX10AF12A            | 330,712                     | N/A                                |
| NASA ROSES NSAR   | 43.000                 | NNX12AF62A            | <u>37,635</u>               | N/A                                |
| <b><i>Total National Aeronautics and Space Administration Grants</i></b>  |                        |                       | <u>510,870</u>              |                                    |
| <b><i>United States Geological Survey Grants</i></b>  |                        |                       |                             |                                    |
| Installation of Permanent GPS Networks in Northern California to Support Crustal Deformation Monitoring by the USGS (ARRA)  | 15.807 (ARRA)          | G10AC00075            | (115)                       | N/A                                |
| Archiving of USGS Daily Global Positioning System Data at the UNAVCO Data Center dated 12/28/09   | 15.808                 | G10AP00062            | <u>14,526</u>               | N/A                                |
| <b><i>Total United States Geological Survey Grants</i></b>  |                        |                       | <u>14,411</u>               |                                    |
| <b><i>United States Department of Commerce</i></b>  |                        |                       |                             |                                    |
| Passed-Through UCAR: Real-time data transmission of Africa Array GPS Weather Stations   | 11.431                 | NA11OAR4310213        | <u>15,126</u>               | Z12-96956                          |
| <b><i>Total United States Department of Commerce</i></b>  |                        |                       | <u>15,126</u>               |                                    |
| <b>Total</b>  |                        |                       | <b><u>\$ 19,375,361</u></b> |                                    |

**UNAVCO, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2012**

**General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of UNAVCO for the year ended December 31, 2012.

**Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Federal financial assistance provided to subrecipients is treated as an expenditure when it is paid to the subrecipient.

**Subrecipients**

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

| <u>Program Title</u>  | <u>Federal<br/>CFDA<br/>Number</u> | <u>Amount<br/>Provided to<br/>Subrecipients</u> |
|---|------------------------------------|---|
| Support for UNAVCO Community and Facility<br>Support: Geodesy Advancing Science                 | 47.050                             | \$ 199,236                                      |
| Support for Collaborative Research: EarthScope<br>Facility Operation and Maintenance (PBO)      | 47.050                             | 1,296,863                                       |
| Support of UNAVCO, Inc. and Track 2:<br>Developing a Sustainable RESESS Program                 | 47.050                             | 23,193  |
| Support for Discovery and Delivery of Space Geodetic<br>Data Products from Distributed Archives | 43.000                             | 39,068  |
| Support for Science Data Systems for Satellite and<br>Airborne LIDAR Data                       | 43.000                             | <u>241,445</u>                                  |
|   |                                    | <u>\$ 1,799,805</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***

Board of Directors  
UNAVCO, Inc.  
Boulder, Colorado

We have audited, in accordance with the 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, Inc., which comprise the statement of financial position as of December 31, 2012, 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 25, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered UNAVCO, Inc.'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, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of UNAVCO, Inc.'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, Inc.'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.

We noted certain matters that we reported to management in a separate letter dated June 25, 2013.

*CliftonLarsonAllen LLP*

Greenwood Village, CO  
June 25, 2013

**Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Board of Directors  
UNAVCO, Inc., Inc.  
Boulder, Colorado

**Report on Compliance for Major Federal Program**

We have audited UNAVCO, Inc. Inc.'s (UNAVCO) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on UNAVCO, Inc.'s major federal program for the year ended December 31, 2012. UNAVCO, Inc.'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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for UNAVCO, Inc.'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 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about UNAVCO, Inc.'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, Inc.'s compliance.

***Opinion on Major Federal Program***

In our opinion, UNAVCO, Inc. 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, 2012.

## **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-01. Our opinion on each major federal program is not modified with respect to these matters.

UNAVCO, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. UNAVCO, Inc.'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, Inc. 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, Inc.'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 OMB Circular A-133, 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, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-01, that we consider to be a significant deficiency.

UNAVCO, Inc.'s response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. UNAVCO, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
June 25, 2013

**UNAVCO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

**PART I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified  
 Internal control over financial reporting:  
   Material weakness(es) identified? \_\_\_\_\_ yes   √   no  
   Significant deficiency(ies) identified that are  
     not considered to be material weaknesses? \_\_\_\_\_ 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(ies) identified that are  
     not considered to be material weaknesses?   √   yes \_\_\_\_\_ none reported

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

Any audit findings disclosed that are required  
 to be reported in accordance with section  
 510(a) of OMB Circular A-133?   √   yes \_\_\_\_\_ no

Identification of major program:

| <b>CFDA Number(s)</b> | <b>Name of Federal Program or Cluster</b> |
|-----------------------|---|
| Various               | Research and Developments Cluster         |

Dollar threshold used to distinguish between  
 Type A and Type B programs: \$581,261

Auditee qualified as low-risk auditee?   √   yes \_\_\_\_\_ no

**UNAVCO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2012**

**PART II - FINDINGS RELATED TO FINANCIAL STATEMENTS – none noted**

**PART III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

Finding 2012-01

Research and Development Cluster

**Allowable Costs**

***Significant Deficiency, Noncompliance***

Criteria: OMB Circular A-122 requires that indirect rates are applied in accordance with approved rate agreements and agency/program limitations.

Condition: Our audit procedures discovered that UNAVCO charged an NSF grant the full-time employee indirect cost rate for a temporary employee. The fringe benefit rate for a full-time employee is 58.45% versus the temporary rate, which is 14.12%.

Effect: UNAVCO was not in compliance with indirect cost policy in applying cost consistent with rate agreement.

Questioned Costs: The amount of indirect costs that should not have been charged to the program was \$9,000. This amount represents the difference between the indirect cost rate to be applied to full-time employees' salaries versus the indirect costs rate that should be applied for part-time employees. A total of \$1,991,654 in indirect costs were tested. During our testing of indirect costs, we recalculated the indirect cost rate applied to \$4,337,396 in salaries and found no other errors.

Cause: UNAVCO's indirect costs are automatically charged to projects based on approved rates; however, UNAVCO's system did not detect the fact that the employee's status was changed from regular to temporary. Therefore, the system applied the regular fringe rate rather than the temporary rate. Although management reviews the total indirect cost rates applied to all NSF projects, they do not review the rates applied per project. As a result, this review did not detect the fact that the incorrect rate was applied.

Recommendation: Management should implement a review policy by project to ensure appropriate fringe benefit rates are applied. This will ensure that UNAVCO is applying the agreed-upon indirect cost rates.

Views of responsible officials and planned corrective actions: Temporary and regular salary expense will be compared to temporary and regular fringe expense by project as part of the year-end close process to assure rates are applied properly across projects.

Contact Information: Gail Strobel, Business Affairs Director, (303) 381-7500  
6350 Nautilus Drive, Boulder, CO 80301-5553

**UNAVCO, INC.**  
**SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**Year Ended December 31, 2012**

**PART II - FINDINGS RELATED TO FINANCIAL STATEMENTS**

Finding 2011-01

***Significant Deficiency***

Summary: Reconciling items that represented checks for payments related to 2012 expenses that cleared the bank during December 2011, but the related transactions were not recorded in the general ledger system (the system) until January 2012. As a result, prepaid expenses were understated and cash was overstated by the same amount.

Additionally noted that the system was not recording cash transactions as they occur, and which checks were allowed to be issued prior to UNAVCO entering the respective invoices into the system.

Status: Issue resolved.

Finding 2011-02

Research and Development Cluster

***Significant Deficiency, Noncompliance***

Summary: UNAVCO requested cash advances in amounts that represented approximately three weeks of operating expenses various times throughout 2012, as opposed to the needs of the entity within four business days.

Status: Issue resolved.

Finding 2011-03

Research and Development Cluster

***Significant Deficiency, Noncompliance***

Criteria: UNAVCO had entered into a 5 year land use agreement in FY2011 for a grant that had a period of availability through FY2013. As such, the lease period extended beyond the grant's period of availability.

Status: Issue resolved.