

**UNAVCO, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**UNAVCO, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
UNAVCO, Inc.  
Boulder, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of UNAVCO, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information - Schedule of Expenditures of Federal Awards*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2017 on our consideration of UNAVCO, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UNAVCO, Inc.'s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
June 1, 2017

**UNAVCO, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 296,870	\$ 308,659
Cash and Cash Equivalents - Federal	41,212	238,705
Investments	658,951	608,559
Federal Grants Receivable	583,637	1,023,078
Deposits	121,796	39,580
Other Receivables	495,778	138,276
Prepaid Expenses	283,973	309,658
Property and Equipment, Net	383,490	881,585
<b>TOTAL ASSETS</b>	<b>\$ 2,865,707</b>	<b>\$ 3,548,100</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 561,668	\$ 573,148
Accrued Liabilities	903,976	826,268
Deferred Revenue	353,163	378,651
Total Liabilities	1,818,807	1,778,067
<b>NET ASSETS</b>		
Unrestricted	1,046,900	1,770,033
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,865,707</b>	<b>\$ 3,548,100</b>

See accompanying Notes to Financial Statements.

**UNAVCO, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>REVENUES AND OTHER SUPPORT</b>		
Federal Agency Revenue		
Federal Grants	\$ 16,210,225	\$ 16,337,516
Other Income	99,153	182,358
Total Federal Revenue	16,309,378	16,519,874
Membership Contributions	7,000	13,698
Fee for Service	730,578	957,835
Investment Income	55,221	(5,897)
Total Revenues and Other Support	17,102,177	17,485,510
<b>EXPENSES</b>		
Program Services		
GAGE Cooperative Agreement	13,026,766	13,200,582
Network Enhancement	627,850	941,832
Principal Investigator Programs	367,274	494,287
Facility Cooperative Agreement	-	41,045
Education and Outreach	116,434	130,674
Polar Programs	97,823	156,983
Data Products and Archiving	392,614	494,818
Plate Boundary Observatory (PBO)	-	1,081
Commercial	24,505	84,320
Other	34,123	120,032
Donations	13,240	8,592
Total Program Services	14,700,629	15,674,246
General and Administrative	3,124,681	2,184,867
Total Expenses	17,825,310	17,859,113
<b>CHANGE IN NET ASSETS</b>	(723,133)	(373,603)
Net Assets - Beginning of Year	1,770,033	2,143,636
<b>NET ASSETS - END OF YEAR</b>	\$ 1,046,900	\$ 1,770,033

See accompanying Notes to Financial Statements.

**UNAVCO, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (723,133)	\$ (373,603)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	681,650	914,600
Net Realized and Unrealized (Gain) Loss on Investments	(39,358)	21,153
Effects of Changes in Operating Assets and Liabilities:		
Federal Grants Receivable	439,441	(176,555)
Other Receivable	(357,502)	(69,763)
Prepaid Expenses	25,685	(55,042)
Deposits	(82,216)	(350)
Accounts Payable	(11,480)	117,676
Accrued Liabilities	77,708	105,073
Deferred Revenue	(25,488)	(25,380)
Net Cash Provided (Used) by Operating Activities	(14,693)	457,809
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(50,471)	(826,355)
Sale of Investments	39,437	470,906
Purchase of Equipment	(183,555)	(402,305)
Net Cash Used by Investing Activities	(194,589)	(757,754)
 <b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(209,282)	(299,945)
 Cash and Cash Equivalents - Beginning of Year	547,364	847,309
 <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 338,082	\$ 547,364

See accompanying Notes to Financial Statements.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

UNAVCO, Inc. (UNAVCO) is a non-profit membership-governed organization that supports and promotes Earth science by advancing high-precision geodetic and strain techniques such as the Global Positioning System. UNAVCO is a community centered organization committed to providing services that benefit the community through savings in the cost of scientific research and by enhancing communication both within the community and with sponsors. The organizational structure is designed to accommodate anticipated growth and breadth in the application of geodetic research in Earth science by the governance of its member representatives.

UNAVCO was formed in response to community support of its role as the lead organization for community based planning and management of new initiatives such as the Plate Boundary Observatory. The incorporation was intended to enable better community oversight of and input into UNAVCO activities. It also enables application and receipt of funds from federal agencies, such as the National Science Foundation (NSF), for support of these communities.

**Basis of Presentation**

UNAVCO is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2016 and 2015, UNAVCO had no temporarily or permanently restricted net assets.

**Basis of Accounting**

UNAVCO records transactions on the accrual basis of accounting in conformity with generally accepted accounting principles.

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Administrative expenses include those expenses that are not directly identifiable with another specific function but provide for the overall support of UNAVCO.



**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

**Income Tax Status**

UNAVCO qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal income taxes has been provided. UNAVCO's tax returns are subject to review and examination by federal and state authorities. UNAVCO is not aware of any activities that would jeopardize its tax exempt status.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and demand deposit accounts. UNAVCO considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

**Investments**

Investment securities are reported at fair value as described in Note 2.

UNAVCO's investments consist of money market funds, mutual funds, and exchange traded products.

**Prepays**

UNAVCO pays building lease expense, insurance expense, and maintenance contracts in advance of the related periods. These amounts are reported as prepaid expenses on the statement of financial position.

**Federal Grants Receivable**

UNAVCO receives grants from federal agencies for investment in UNAVCO's mission related projects. Federal grants receivable consist of funding commitments from those agencies which have not been received. Management believes that all receivable amounts are collectible as of year-end. For the year ended December 31, 2016 and 2015, there were no amounts written off as uncollectible receivables.

**Other Accounts Receivable**

Accounts receivable are unsecured customer obligations related to non-government contracts and federal fee for service contracts (in which UNAVCO serves as a vendor versus subrecipient). Accounts receivable are stated at the invoice amount. Management believes that all receivable amounts are collectible as of year-end. For the years ended December 31, 2016 and 2015, 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:

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

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

**Property and Equipment (Continued)**

Leasehold improvements	Shorter of life of lease or expected life of asset (5 years)
Furniture and fixtures	5 years
Computer software and equipment	3 years
Vehicles	5 years

**Impairment of Long-Lived Assets**

UNAVCO reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairments recognized by UNAVCO for the years ended December 31, 2016 and 2015.

**Accrued Vacation**

UNAVCO employees earn between 160 and 240 hours of paid time off each year, 320 of which can be carried over from year to year. The maximum amount that can be accrued is 320 hours. Accrued hours carried over from year to year are recorded as accrued wages payable at year-end. As of December 31, 2016 and 2015, total accrued vacation was \$556,914 and \$557,628, respectively, 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**

UNAVCO has evaluated subsequent events from the statement of financial position date through June 1, 2017, the date at which the financial statements were available to be issued.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 INVESTMENTS**

Investments are carried at fair value. In determining fair value, UNAVCO uses various valuation approaches within the fair value measurement framework of accounting standards. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. The accounting standard, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the standard are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

*Money market funds:* Valued at \$1 cost, which is the value at which the fund is actively traded and approximates fair value based on the fair value of the fund's underlying investments.

*Mutual funds and exchange products:* Valued at quoted market prices of shares held by the fund as of the close of the last trading day of the year. Mutual funds consist of various bond and equity securities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while UNAVCO believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 INVESTMENTS (CONTINUED)**

The following tables summarize by level, within the fair value hierarchy, UNAVCO's assets at fair value as of December 31:

	2016		Fair Value Measurements Using		
	Cost	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money Market Funds	\$ 13,215	\$ 14,482	\$ 14,482	\$ -	\$ -
Mutual Funds	324,830	325,836	325,836	-	-
Exchange Products	305,936	318,633	318,633	-	-
<b>Total at Fair Value</b>	<b>\$ 643,981</b>	<b>\$ 658,951</b>	<b>\$ 658,951</b>	<b>\$ -</b>	<b>\$ -</b>

	2015		Fair Value Measurements Using		
	Cost	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money Market Funds	\$ 13,215	\$ 13,215	\$ 13,215	\$ -	\$ -
Mutual Funds	287,169	285,749	285,749	-	-
Exchange Products	334,058	309,595	309,595	-	-
<b>Total at Fair Value</b>	<b>\$ 634,442</b>	<b>\$ 608,559</b>	<b>\$ 608,559</b>	<b>\$ -</b>	<b>\$ -</b>

Investment return for the years ended December 31 is summarized as follows:

	2016	2015
Net Realized and Unrealized Gain (Loss)	\$ 39,358	\$ (21,153)
Investment Income	15,863	15,256
<b>Total Investment Income (Loss)</b>	<b>\$ 55,221</b>	<b>\$ (5,897)</b>

**NOTE 3 PROPERTY AND EQUIPMENT**

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

	2016	2015
Leasehold Improvements	\$ 158,600	\$ 158,600
Furniture and Equipment	4,120,814	3,955,859
Computer Software and Equipment	118,671	118,671
Vehicles	4,814	4,814
Other Equipment	1,073,747	1,055,147
Less: Accumulated Depreciation	(5,093,156)	(4,411,506)
<b>Net Property and Equipment</b>	<b>\$ 383,490</b>	<b>\$ 881,585</b>

Total depreciation expense for the years ended December 31, 2016 and 2015 was \$681,650 and \$914,600, respectively.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 LEASES**

**Operating Leases**

UNAVCO leases office space and equipment under several operating lease agreements with various obligation amounts. UNAVCO is able to terminate the office lease agreements if it does not receive its annual funding from the NSF.

Future minimum payments required under the aforementioned agreements as of December 31, 2016 consist of the following:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 633,900
2018	481,599
Total Minimum Lease Payments	<u>\$ 1,115,499</u>

Rental expense related to operating leases was \$683,052 and \$630,467 for the years ended December 31, 2016 and 2015, respectively.

**NOTE 5 LINE OF CREDIT**

UNAVCO has a line of credit of \$450,000 with a financial institution for operational needs. The line of credit expires on August 15, 2018. As of December 31, 2016 and 2015, there was no outstanding draw on this line of credit.

**NOTE 6 LETTER OF CREDIT**

At December 31, 2016 and 2015, the UNAVCO had an irrevocable letter of credit with a financial institution with a maximum guarantee of up to \$62,000. This amount is required by the US Forest Service to be held for the decommissioning of stations on forest land sites, if necessary. The letter of credit renews automatically on an annual basis and expires on December 31, 2018. Outstanding borrowings accrue interest at a rate of Prime plus 4%. There were no borrowings on the letter of credit during 2016 and 2015.

**NOTE 7 EMPLOYEE BENEFIT PLAN**

UNAVCO has a 403(b) Plan that is administered by the Teachers Insurance Annuities Association's College Retirement Equities Fund (TIAA/CREF). Employees are required to participate in the plan if employed as a regular full-time or regular part-time employee. For UNAVCO employees who make their minimum contribution of 5% to TIAA/CREF, UNAVCO also contributes 10% of the employee's salary. UNAVCO's contributions to the TIAA/CREF for the years ended December 31, 2016 and 2015 were \$732,774 and \$775,074, respectively.

**UNAVCO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 8 SIGNIFICANT CONCENTRATIONS**

Generally accepted accounting principles require disclosure of information about current vulnerabilities due to certain concentrations. These matters include the following:

**Revenues from Major Federal Awards**

For the years ended December 31, 2016 and 2015, approximately 93% and 92%, respectively, of UNAVCO's revenues were from the NSF. At December 31, 2016 and 2015, approximately 56% and 85%, respectively, of accounts receivable was due from the NSF.

**Concentration of Risks**

UNAVCO maintains all of its cash and temporary investments in a commercial bank located in Colorado. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. At certain times throughout the year, UNAVCO had balances in excess of FDIC limits in excess of the federally insured limits. UNAVCO believes it is not exposed to any significant risk on cash and cash equivalents.

**NOTE 9 CONTINGENCY**

The Geodetic Infrastructure (GAGE) grant awarded to UNAVCO from the NSF represented approximately 88% and 83% of UNAVCO's total revenue for the years ended December 31, 2016 and 2015, respectively. The GAGE grant is scheduled to expire on September 30, 2018. The NSF plans to award a new GAGE grant in 2017 with an award period beginning in 2018. UNAVCO submitted a proposal to be awarded the new GAGE grant in 2016. As of June 1, 2017, the new GAGE grant had not yet been awarded.

UNAVCO participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantors. Occasionally, such audits lead to request for reimbursement to the grantor for expenditures disallowed under the terms of the grantors. Management believes that any future disallowances, if any, will not have a material effect on the financial statements.

**SINGLE AUDIT REPORTS AND SCHEDULES**

**UNAVCO, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Research and Development Cluster</b>				
<b><i>The National Science Foundation</i></b>				
Collaborative Instrumentation: COCONet (Continuously Operating Caribbean GPS Observational Network)	47.050	-	\$ -	\$ 309,865
Passed-Through Pennsylvania State University Convergence of Space Geodesy in Plate Boundary Research and Geoscience Education	47.050	4183- UI-NSF-5560	-	5
Passed-Through Ohio State University Chile Argentina GPS Network Upgrades	47.050	60029791	-	8,984
Passed-Through University of Wisconsin: GPS Measurements and Earthquake Cycle Modelign of the Mexico Subduction Zone	47.050	360K006	-	26,121
Passed-Through University of Houston: MRI Acquisition of GPS Equipment for Establishing a Continuously Operating Dense GPS Network In Houston	47.050	R-13-0028	-	34
Passed-Through Open Topography - A National Hub for High Resolution Topographic Data, Tools and Knowledge	47.050	30575468	-	68,525
Acquisition of Next Generation Terrestrial Laser Scanning Systems for Community Earth and Polar Science Research	47.050	-	-	21,383
Passed-Through POLENET-Antarctica: Investigating Links Between Geodynamics and Ice Sheets - Phase 2	47.050	60037412	-	62,660
GAGE (Geodetic Infrastructure)	47.050	-	588,531	14,946,579
TLALOCNet GPS-Met Array in Mexico	47.050	-	-	262,183
4th COCONet Workshop	47.050	-	-	99,133
RAPID: Nevado del Ruiz cGPS Network 2015	47.050	-	-	1,008
CWS Drivers and Future of MEVO	47.050	-	-	27,958
SAVI-Harmonize Data Between EU and US	47.050	-	-	40,230



**UNAVCO, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Earthcube Building Blocks: Collaborative Proposal Enabling Scientific Collaboration and Discovery Through Semantic Connections (VIVO)	47.050	-	\$ -	\$ 114,388
Collaborative Research Open Topography	47.050	-	-	6,297
EarthCube Building Blocks: Collaborative Proposal: Deploying Multi-Facility Cyberinfrastructure in Commercial and Private Cloud-based Systems	47.050	-	-	301
REU Launchpad	47.050	-	-	5,070
Field Work Education	47.050	-	-	40,559
Geo-Launchpad	47.050	-	-	44,341
Passed-Through EarthCube Building Blocks	47.050	93-UNAVCO -ECBB	-	49,453
Passed-Through Engaging Local Communities in Geoscience Pathways	47.050	28-1773	-	1,725
<b>Total for CFDA 47.050</b>			588,531	16,136,802
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	60029492	-	12,923
Passed-Through University of Colorado Collaborative Research: Rio Grande Rift II - Kinematics and Dynamics of Continental Deformation in Low Strain-Rate Environments	43.002	1548441	-	9,222
Geodesy Curriculum - 21st Century (TUES)	47.076	-	4,055	39,632
<b>The National Science Foundation</b>			592,586	16,198,579

**UNAVCO, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b><i>National Aeronautics and Space Administration Grants</i></b>				
NASA ROSES NSAR	43.000	-	\$ -	\$ 22,804
NRA/ Research Opportunities in Space and Earth Sciences - 2013	43.000	-	58,187	215,973
<b><i>Total for CFDA 43.000</i></b>			<u>58,187</u>	<u>238,777</u>
Passed-through: ROSES 2015/Advancing Collaborative Connections for Earth Sys Sci	43.001	78468183		86
<b><i>National Aeronautics and Space Administration Grants</i></b>			<u>58,187</u>	<u>238,863</u>
<b><i>United States Geological Survey</i></b>				
WinSAR Data Archive for Crustal Dynamics Research	15.808	-	-	10,788
Archiving of USGS Daily GPS Data	15.808	-	-	29,214
<b><i>United States Geological Survey</i></b>			<u>-</u>	<u>40,002</u>
<b><i>Department of Energy Grants</i></b>				
Passed- Through Clemson University Analyzing Situ Strain Tensor CO2 Injection	81.089	1752- 219-2020335	-	104,616
<b><i>Department of Energy Grants</i></b>			<u>-</u>	<u>104,616</u>
<b><i>Total Research and Development Cluster</i></b>			<u>\$ 650,773</u>	<u>\$ 16,582,060</u>

**UNAVCO, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of UNAVCO under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of UNAVCO, it is not intended to and does not present the financial position, changes in net assets, or cash flows of UNAVCO.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. UNAVCO has elected not to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
UNAVCO, Inc.  
Boulder, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of UNAVCO, which comprise the statement of financial position as of December 31, 2016, and the related statements 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 1, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered UNAVCO's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UNAVCO's internal control. Accordingly, we do not express an opinion on the effectiveness of UNAVCO's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether UNAVCO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
June 1, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
UNAVCO, Inc.  
Boulder, Colorado

**Report on Compliance for Major Federal Program**

We have audited UNAVCO's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on UNAVCO's major federal program for the year ended December 31, 2016. UNAVCO's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for UNAVCO's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about UNAVCO's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of UNAVCO's compliance.

***Opinion on Major Federal Program***

In our opinion, UNAVCO complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on the major federal program is not modified with respect to this matter.

UNAVCO's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. UNAVCO's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of UNAVCO is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UNAVCO's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UNAVCO's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 2016-001, that we consider to be a significant deficiency.

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

Board of Directors  
UNAVCO, Inc.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
June 1, 2017



**UNAVCO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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**Section I – Summary of Auditors’ Results**

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**Financial Statements**

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

**Federal Awards**

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

**Identification of Major Federal Programs**

**CFDA Numbers**

15.808, 43.001, 43.002, 47.078  
 43.000, 47.050, 47.076, 81.089

**Name of Federal Program or Cluster**

Research and Development Cluster

Dollar threshold used to distinguish between

Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  yes  no

**UNAVCO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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***Section II – Financial Statement Findings***

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

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2016 – 001 Indirect Cost Reimbursement Calculation**

**Federal agency:** National Science Foundation

**Federal program title:** Research and Development Cluster

**CFDA Number:** 47.050

**Award Period:** 1/1/2016 – 12/31/2016

**Type of Finding:**

- Noncompliance and Significant Deficiency with regard to Compliance Requirements

**Criteria or specific requirement:** 2 CFR Part 200 states that a provisional rate means a temporary indirect cost rate applicable to a specified period which is used for funding, interim reimbursement, and reporting indirect costs on Federal awards pending the establishment of a final rate for the period. A final rate will then be established with the federal/cognizant agency and an upward or downward adjustment will be made based on the actual costs incurred for the period involved. An indirect cost rate proposal is a document compiled by grantees that is submitted to their cognizant oversight agency for the purpose of negotiating indirect cost rates. The results of each negotiation (provisional and final rates) must be formalized in a written agreement between the agency and the nonprofit organization. The most recent negotiated cost rate should be used by grantees when requesting reimbursement for indirect costs unless stated otherwise by the grantee's cognizant oversight agency. UNAVCO's cognizant oversight agency is the National Science Foundation (NSF).

**Condition:** The NSF did not provide a new provisional indirect cost rate to UNAVCO for 2016. UNAVCO submitted an indirect cost rate proposal for 2016 requesting the following rates:

- Regular fringe benefit rate: 52.92%
- Temporary fringe benefit rate: 12.70%
- Common facility rate: \$59.97
- General and administrative rate: 16.99%

**UNAVCO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2016**

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***Section III – Findings and Questioned Costs – Major Federal Programs (Continued)***

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UNAVCO charged the indirect cost rates that were requested within its indirect cost rate proposal for 2016. At the time of testing, there had not been a provisional or final rate negotiated with the NSF for 2016. During the audit, the NSF stated that UNAVCO could use the indirect cost rates it submitted in its indirect cost rate proposal for reimbursement requests. During the year, UNAVCO charged the proper rates as listed in the 2016 indirect cost rate proposal. However, for the one grant selected for testing (47.050; GAGE Geodetic Infrastructure), UNAVCO adjusted the indirect cost charges to the grant for the actual indirect costs incurred during the year. As such, UNAVCO overcharged indirect costs by the following amounts:

- Regular fringe benefit rate: 2.81%
- General and administrative rate: .47%

**Context:** During our procedures, we noted that UNAVCO charged the following amounts above the proposed percentages in its indirect cost rate proposal:

- Regular fringe benefit: \$ 129,304
- General and administrative: \$ 58,059

**Cause:** UNAVCO charged the projects based upon the proposed indirect cost rates throughout the year. Then, at year-end, UNAVCO adjusted the charges to the project for actual indirect costs incurred. UNAVCO had not yet negotiated a provision or final rate with the NSF when making the year-end adjustment.

**Effect:** UNAVCO overcharged the NSF by \$187,363 for indirect costs incurred during Fiscal Year 2016, leading to non-compliance with regards to the agreed upon indirect cost rates.

**Questioned Costs:** \$187,363

**Repeat Finding:** Yes

**Recommendation:** We recommend that UNAVCO enhance their end of the year billing adjustment process to ensure that all indirect costs charged to the NSF do not go over the agreed upon rates. If actual costs are not properly reflected in the agreed upon rates, UNAVCO can negotiate final rates and adjust once approved by the NSF. If no rate has been finalized by the NSF, UNAVCO should seek guidance from the NSF on what cost rate they should be charging in the meantime.

**Views of responsible officials:** There is no disagreement with the audit finding.