

ROBONATION, INC.

AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2019

ROBONATION, INC.

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FINANCIAL STATEMENTS

ROBONATION, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2018**

ROBONATION, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
RoboNation, Inc.
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of RoboNation, Inc. (RoboNation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses 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.

Auditor's 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 auditor's 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 RoboNation as of December 31, 2019, and the change 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited RoboNation's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

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 on pages I-(17 - 18), as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 September 28, 2020 on our consideration of RoboNation'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 RoboNation's internal control over financial reporting and compliance.



September 28, 2020

ROBONATION, INC.

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 517,792	\$ 660,954
Investments	1,909,414	1,357,138
Grants receivable	555,357	829,458
Accounts receivable	377,977	574,318
Prepaid expenses	19,821	21,308
Furniture and equipment, net of accumulated depreciation of \$31,814 and \$27,444 for 2019 and 2018, respectively	<u>2,268</u>	<u>6,639</u>
TOTAL ASSETS	<u>\$ 3,382,629</u>	<u>\$ 3,449,815</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 245,924	\$ 670,824
Due to the Association	774	22,481
Deferred revenue	46,479	18,850
Accrued vacation	32,187	28,896
Refundable advance	<u>17,312</u>	<u>-</u>
Total liabilities	<u>342,676</u>	<u>741,051</u>

NET ASSETS

Net assets without donor restrictions	<u>3,039,953</u>	<u>2,708,764</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,382,629</u>	<u>\$ 3,449,815</u>

ROBONATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
SUPPORT AND REVENUE		
Government grants	\$ 2,191,062	\$ 2,784,294
Educational kit sales	1,764,245	1,884,332
Student competitions (sponsorships)	196,000	296,500
Government contracts	74,362	69,235
Contributions	25,084	28,412
Miscellaneous	19,134	-
In-kind contributions	161,479	154,680
Investment income (loss), net	410,019	(85,317)
Merchandise sales	<u>6,256</u>	<u>6,900</u>
Total support and revenue	<u>4,847,641</u>	<u>5,139,036</u>
EXPENSES		
Program Services:		
Student Competitions	1,025,520	1,774,702
Education	<u>2,588,009</u>	<u>2,212,019</u>
Total program services	<u>3,613,529</u>	<u>3,986,721</u>
Supporting Services:		
Administrative Services	902,923	819,846
Fundraising	<u>-</u>	<u>897</u>
Total supporting services	<u>902,923</u>	<u>820,743</u>
Total expenses	<u>4,516,452</u>	<u>4,807,464</u>
Change in net assets	331,189	331,572
Net assets at beginning of year	<u>2,708,764</u>	<u>2,377,192</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,039,953</u>	<u>\$ 2,708,764</u>

ROBONATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019			2018		
	Program Services		Total Program Services	Supporting Services		Total Expenses
	Student Competitions	Education		Administrative Services	Total Expenses	
Salaries and benefits	\$ 250,250	\$ 445,234	\$ 695,484	\$ 586,630	\$ 1,282,114	\$ 1,100,579
Professional fees	27,601	188,109	215,710	64,139	279,849	241,485
Travel and meeting expenses	155,187	72,469	227,656	35,617	263,273	364,015
Occupancy and other operating costs	1,937	6,215	8,152	6,845	14,997	15,588
Office expense	38,386	87,703	126,089	28,308	154,397	253,142
Information technology	170,287	141,488	311,775	93,212	404,987	238,499
Event expense	232,676	1,412,742	1,645,418	615	1,646,033	1,905,086
Equipment	40,812	96,956	137,768	153	137,921	259,379
Training	-	-	-	-	-	99,016
Other	108,384	48,593	156,977	87,404	244,381	244,127
Payments to other organizations	-	88,500	88,500	-	88,500	86,548
TOTAL	\$ 1,025,520	\$ 2,588,009	\$ 3,613,529	\$ 902,923	\$ 4,516,452	\$ 4,807,464

ROBONATION, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 331,189	\$ 331,572
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,371	5,283
Unrealized (gain) loss on investments	(362,112)	154,580
Realized loss (gain) on investments	7,080	(34,395)
Decrease (increase) in:		
Grants receivable	274,101	270,780
Accounts receivable	196,341	(71,573)
Prepaid expenses	1,487	(5,090)
(Decrease) increase in:		
Accounts payable	(424,900)	(150,538)
Due (to) from the Association	(21,707)	19,700
Deferred revenue	27,629	9,760
Accrued vacation	3,291	(1,408)
Refundable advance	<u>17,312</u>	<u>(17,277)</u>
Net cash provided by operating activities	<u>54,082</u>	<u>511,394</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	80,546	161,380
Purchase of investments	(277,790)	(482,954)
Purchases of furniture and equipment	<u>-</u>	<u>(1,833)</u>
Net cash used by investing activities	<u>(197,244)</u>	<u>(323,407)</u>
Net (decrease) increase in cash and cash equivalents	(143,162)	187,987
Cash and cash equivalents at beginning of year	<u>660,954</u>	<u>472,967</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 517,792</u>	<u>\$ 660,954</u>

ROBONATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

RoboNation, Inc. (RoboNation), formerly known as the Association for Unmanned Vehicle Systems International Foundation, is a non-profit organization, incorporated in the District of Columbia. RoboNation's mission is to provide a pathway of hands-on educational experiences that empower students to find innovative solutions to global challenges. RoboNation envisions+ a world where technology unites people to learn, share and create.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with RoboNation's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, RoboNation early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way RoboNation recognized revenue; however, the presentation and disclosures of revenue have been enhanced. RoboNation has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements adopted (continued) -

Also during 2019, RoboNation adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. RoboNation adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

RoboNation considers all cash and other highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, RoboNation maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Grants and other receivables -

Grants and other receivables are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

Furniture and equipment -

Furniture and equipment are stated at cost and are depreciated using the straight-line basis over three to ten years, with no salvage value. Expenditures for major repairs and improvements in excess of \$1,000 are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. Depreciation expense for the year ended December 31, 2019 totaled \$4,371.

RoboNation also purchases equipment for its various programs with funding received from the U.S. Government. Under the terms of these agreements, title to equipment remains with RoboNation, but the donor generally retains control of the equipment until disposition at the end of the award period. Therefore, equipment purchased under these programs are expensed when incurred and such assets are not reflected as capital assets in the accompanying Statement of Financial Position.

Deferred revenue -

Deferred revenue consists of entry fees collected prior to December 31, which relate to the events and programs to be performed by RoboNation in the subsequent year.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses, net of investment expense provided by external investment advisors, are included in investment income (loss) in the Statement of Activities and Change in Net Assets.

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue recognition -

Grants, Contracts, and Contributions -

The majority of RoboNation's revenue is received through contributions as well as contracts and grants from the U.S. and foreign governments, international organizations and other entities. Contributions and grants are recognized in the appropriate category of net assets in the period received. RoboNation performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For contributions and grants and contracts qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, RoboNation recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants and contracts treated as contributions, RoboNation had approximately \$8,150,000 in unrecognized conditional awards as of December 31, 2019.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant and contract agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

Student Competitions -

Student competitions includes sponsorships revenue which are recorded as revenue when the performance obligation is met which is when the related event has occurred. The transaction price is determined based on the cost or sales price. Any amounts received in advance are recorded as deferred revenue within the Statement of Financial Position.

Educational Kit Sales -

Educational kit sales augment the Federal SeaPerch & SeaGlide programs by providing an additional source of robotic kits to the program's middle and high school population.

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue recognition (continued) -

Educational Kit Sales (continued) -

The sales of the kits are related to educational programs and the expenses incurred by RoboNation are included in Education program service expenses on the Statement of Activities and Change in Net Assets. Revenue is recognized at the time of the sale. The transaction price is determined based on the sales price.

In-kind goods and services -

RoboNation receives in-kind support from the Association for Unmanned Vehicle Systems International for administrative expenses as well as program for program goods and services. During the year ended December 31, 2019, RoboNation received additional in-kind services for video production valued at \$8,400. Contributed goods and services are recorded at their fair market value as of the date of the gift.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of RoboNation are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of actual time and effort or other reasonable basis.

Income taxes -

RoboNation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. RoboNation is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2019, RoboNation has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Use of estimates -

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

Risks and uncertainties -

RoboNation invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

ROBONATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Fair value measurement -

RoboNation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

RoboNation accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

RoboNation plans to adopt the new ASU at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments are presented in the financial statements at their readily determinable fair value and are comprised of the following at December 31, 2019:

	<u>Cost</u>	<u>Fair Value</u>
Common stocks	\$ 326,825	\$ 635,570
Mutual funds - equities	496,457	696,843
Mutual funds - bonds	361,978	362,430
Exchange traded products	<u>176,155</u>	<u>214,571</u>
TOTAL INVESTMENTS	<u>\$ 1,361,415</u>	<u>\$ 1,909,414</u>

In accordance with FASB ASC 820, *Fair Value Measurement*, RoboNation has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

2. INVESTMENTS (Continued)

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market RoboNation has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Common stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by RoboNation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by RoboNation are deemed to be actively traded.
- *Exchange traded products* - Valued at the daily closing price as reported by the fund. Exchange traded products held by RoboNation are funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. The funds held by RoboNation are deemed to be actively traded.

The table below summarizes, by level within the fair value hierarchy, RoboNation's investments as of December 31, 2019:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common stocks	\$ 635,570	\$ -	\$ -	\$ 635,570
Mutual funds - equities	696,843	-	-	696,843
Mutual funds - bonds	362,430	-	-	362,430
Exchange traded products	<u>214,571</u>	<u>-</u>	<u>-</u>	<u>214,571</u>
	<u>\$ 1,909,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,909,414</u>

Included in investment income are the following for the year ended December 31, 2019:

Interest and dividends	\$ 55,307
Unrealized gain	362,112
Realized loss on sale of investments	(7,080)
Management fees	<u>(320)</u>
TOTAL INVESTMENT INCOME	<u>\$ 410,019</u>

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

3. LIQUIDITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position comprise the following at December 31, 2019:

Cash and cash equivalents	\$ 517,792
Investments	1,909,414
Grants receivable	555,357
Accounts receivable	<u>377,977</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 3,360,540**

RoboNation has a policy to structure its financial assets to be available and liquid as its obligations become due. As of December 31, 2019, RoboNation has financial assets equal to approximately nine months of operating expenses.

4. PENSION PLAN

RoboNation participates in a defined contribution pension plan administered by the Association for Unmanned Vehicle Systems International, in conformity with Internal Revenue Code Section 401(k), covering employees who are 21 years of age and have completed two months of service. RoboNation will match 100% of employees' contributions, not to exceed three percent of annual compensation, and 50% of employees' contributions, not to exceed five percent of annual compensation. Pension expense for the year ended December 31, 2019 was \$31,303. Pension expense is included in salaries and benefits on the Statement of Functional Expense.

5. CONTINGENCY

RoboNation receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

6. RELATED PARTY

The Association for Unmanned Vehicle Systems International (the Association) is comprised of over 5,000 members from over 50 countries in industry, Government and the academic community promoting the advancement of unmanned vehicle system technologies. The Association is a trade association committed to fostering, developing and enhancing unmanned vehicle systems and related technologies by presenting and promoting unmanned vehicle system technology, applications, benefits and information to the user community, general public, academia and government decision-makers. The Association is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Association is a separate legal entity in which there is no ownership, control, or economic interest in RoboNation and therefore not consolidated for reporting purposes.

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

6. RELATED PARTY (Continued)

The Association performs limited administrative functions and shares office facilities with RoboNation. During 2019, the Association incurred administrative and program expenses of \$153,079 for RoboNation activities. These activities were not billed to RoboNation. Additionally, the Association made cash contributions of \$22,500 to RoboNation for the year ended December 31, 2019. As of December 31, 2019, RoboNation owed the Association a net amount of \$774.

7. SUBSEQUENT EVENTS

In preparing these financial statements, RoboNation has evaluated events and transactions for potential recognition or disclosure through September 28, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact RoboNation's operations. The overall potential impact is unknown at this time.

SUPPLEMENTAL INFORMATION

ROBONATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Federal Granter</u>	<u>Federal CFDA Number</u>	<u>Grant Identification Number</u>	<u>Passed-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
Department of Defense: Office of Naval Research				
Basic and Applied Scientific Research	12.300	N00014-18-1-2545	\$ -	\$ 312,109
Basic and Applied Scientific Research	12.300	N00014-17-1-2097	-	276,174
Basic and Applied Scientific Research	12.300	N00014-17-1-2098	-	464,917
Basic and Applied Scientific Research	12.300	N00014-17-1-2387	-	785,034
Basis and Applied Scientific Research	12.300	N00014-15-1-2446	<u>-</u>	<u>352,828</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS UNDER RESEARCH AND DEVELOPMENT CLUSTER			\$ <u>-</u>	\$ <u>2,191,062</u>

ROBONATION, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of RoboNation under programs of the Federal Government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the 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)*. Because the Schedule presents only a selected portion of the operations of RoboNation, it is not intended to and does not present the financial position, changes in net assets or cash flows of RoboNation.

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. RoboNation has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ROBONATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

3). Noncompliance material to financial statements noted? Yes No

Federal Awards

4). Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

5). Type of auditor's report issued on compliance for major programs: Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>Expenditures</u>
Research and Development Cluster	\$ 2,191,062

8). Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9). Auditee qualified as a low-risk auditee? Yes No

ROBONATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section II - Financial Statement Findings

Please refer to Finding 2019-001 under Section III "Federal Award Findings and Questioned Costs".

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

Finding 2019-001: Procurement

Information on the Federal Programs: Research and Development Cluster

Criteria or Specific Requirement: CFR §200.318 - §200.320 establishes procurement guidelines for any non-Federal entity receiving Federal funding. All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards set forth by Uniform Guidance as well as internal policies and procedures. The non-Federal entity must ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, the non-Federal entity must not preclude potential bidders from qualifying during the solicitation period.

Condition: RoboNation did not always document the rationale or decision in a manner to justify a lack of competition or easily determine which vendor was selected and the basis for that decision.

Context: Our audit procedures consisted of control testwork over RoboNation's cash disbursement cycle as well as substantive testing of federal expenditures. We consider our sample to be representative of the population and a statistically valid sample.

Effect: RoboNation was not in compliance with internal policies and procedures, and therefore not in compliance with federal regulations.

Cause: RoboNation did not comply with internal policies and procedures regarding the procurement of goods and services for the year ended December 31, 2019.

Questioned Costs: Undetermined.

Identification as a Repeat Finding, if Applicable: 2018-001

Recommendation: We recommend that management of RoboNation ensure that all transactions in excess of the established procurement thresholds be appropriately supported by bids and other corroborating documentation supporting open competition. We also recommend that RoboNation establish and implement a form to document the various bids, analysis, and ultimately the vendor or contractor selected for the purchase of goods or services. These forms should be centrally located in order to ensure the trail and process completed for each of these purchases are appropriately maintained and available for reference.

Views of Responsible Officials and Planned Corrective Actions: Since 2019, RoboNation established a Procurement file in its shared drive to centrally locate corroborating documentation supporting open competition for services rendered to the organization. To strengthen our procurement process and respond to this finding, RoboNation developed two additional forms: 1) Quote Request Form and 2) Supplier Evaluation/Selection Form. These forms will also be centrally located and will remain in file for future reference.

Responsible Official: Executive Director and Director For Finance and Administration

Anticipated Completion Date: October 31, 2020

ROBONATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))(Continued)

Finding 2019-002: Cash Management

Information on the Federal Programs: Research and Development Cluster

Criteria or Specific Requirement: CFR §200.305 requires that advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the non-Federal entity for direct program or project costs and the proportionate share of any allowable indirect costs.

Condition: RoboNation was advanced funds during the year on two awards in which had not been fully spent in a timely manner.

Context: Our audit procedures consisted of compliance testwork over RoboNation's requests for funds on all awards included within the research and development cluster. We consider our sample to be representative of the population and a statistically valid sample.

Effect: RoboNation was not in compliance with with federal regulations.

Cause: RoboNation drew down on funds with the anticipation of certain programmatic activities being completed within a short time frame. Due to complications, the work was not completed as expected.

Questioned Costs: Undetermined.

Identification as a Repeat Finding, if Applicable: N/A

Recommendation: We recommend that management of RoboNation be more mindful of the U.S. Government regulations with respect to drawing down advance funds and ensure that program activities are carried out in an acceptable time frame when funds are drawn down in advance.

Views of Responsible Officials and Planned Corrective Actions: RoboNation managed federal funds with much due diligence. Request for federal funds are drawn down based on what was already expended and expenses that are on the pipeline. There are occasions however, that an anticipated expense does not materializes due to unforeseen reason such as variation in anticipated service delivery which necessitate RoboNation to renegotiate agreement terms and hold deposit amount until amicable agreement on service delivery is met. To respond to this recommendation, RoboNation will draw down federal funds only when the amount is expended.

Responsible Official: Executive Director and Director For Finance and Administration

Anticipated Completion Date: October 31, 2020



CPAs & ADVISORS

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

Independent Auditor's Report

To the Board of Trustees
RoboNation, Inc.
Arlington, Virginia

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 RoboNation, Inc. (RoboNation) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise RoboNation's basic financial statements, and have issued our report thereon dated September 28, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered RoboNation'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 RoboNation's internal control. Accordingly, we do not express an opinion on the effectiveness of RoboNation'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 RoboNation'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-001 that we consider to be a significant deficiency.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RoboNation'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-001 and 2019-002.

RoboNation's Response to the Finding

RoboNation's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. RoboNation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



September 28, 2020



CPAs & ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

Independent Auditor's Report

To the Board of Trustees
RoboNation, Inc.
Arlington, Virginia

Report on Compliance for Each Major Federal Program

We have audited RoboNation, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of RoboNation's major federal programs for the year ended December 31, 2019. RoboNation's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of RoboNation's major Federal programs 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 a major federal program occurred. An audit includes examining, on a test basis, evidence about RoboNation'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 each major Federal program. However, our audit does not provide a legal determination of RoboNation's compliance.

Opinion on Each Major Federal Program

In our opinion, RoboNation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2019.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

RoboNation's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. RoboNation's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of RoboNation 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 RoboNation's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 RoboNation'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 certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2019-001 and 2019-002, that we consider to be a significant deficiencies.

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

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.



September 28, 2020



Summary Schedule of Prior Year Audit Findings

In accordance with *Title 2 CFR 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements* under Section 200.511, Audit Findings follow-up, the following detail the summary of prior year audit findings with current year status.

Federal Award Findings in accordance with 2 CFR 200.516:

Finding 2018-001: Procurement

Condition: RoboNation did not always document the rationale or decision in a manner to easily determine which vendor was selected and the basis for that decision.

Views of Responsible Officials and Planned Corrective Actions:

Corrective action in process. Since 2019, RoboNation established a Procurement file in its shared drive to centrally locate corroborating documentation supporting open competition for services rendered to the organization. To strengthen our procurement process and respond to this finding, RoboNation developed two additional forms: 1) Quote Request Form and 2) Supplier Evaluation/Selection Form. These forms will also be centrally located and will remain in file for future reference.

Responsible Official: Executive Director and Director For Finance and Administration

Anticipated Completion Date: October 31, 2020

Norma Floriza

Norma Floriza
RoboNation
Director For Finance and Administration

robonation.org

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 1019

Finding 2019-001: Procurement

Recommendation: We recommend that management of RoboNation ensure that all transactions in excess of the established procurement thresholds be appropriately supported by bids and other corroborating documentation supporting open competition. We also recommend that RoboNation establish and implement a form to document that various bids, analysis, and ultimately the vendor or contractor selected for the purchase of goods or services. These forms should be centrally located in order to ensure the trail and process completed for each of these purchases are appropriately maintained and available for reference,

Views of Responsible Officials and Planned Corrective Actions:

Since 2019, RoboNation established a Procurement file in its shared drive to centrally locate corroborating documentation supporting open competition for services rendered to the organization. To strengthen our procurement process and respond to this finding, RoboNation developed two additional forms: 1) Quote Request Form and 2) Supplier Evaluation/Selection Form. These forms will also be centrally located and will remain in file for future reference.

Responsible Official: Executive Director and Director For Finance and Administration

Anticipated Completion Date: October 31, 2020

Finding 2019-002: Cash Management

Recommendation: We recommend that management of RoboNation be more mindful of the U.S. Government regulations with respect to drawing down advance funds and ensure that program activities are carried out in an acceptable time frame when funds are drawn down in advance.

Views of Responsible Officials and Planned Corrective Actions:

RoboNation managed federal funds with much due diligence. Request for federal funds are drawn down based on what was already expended and expenses that are on the pipeline. There are occasions however, that an anticipated expense does not materializes due to unforeseen reason such as variation in anticipated service delivery which necessitate RoboNation to renegotiate agreement terms and hold deposit amount until amicable agreement on service delivery is met. To respond to this recommendation, RoboNation will draw down federal funds only when the amount is expended.

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Responsible Official: Executive Director and Director For Finance and Administration

Anticipated Completion Date: October 31, 2020

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