

DELTARES USA, INC.

AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2023

DELTARES USA, INC.

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FINANCIAL STATEMENTS

DELTARES USA, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2022**

DELTARES USA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Deltares USA, Inc.
Silver Spring, Maryland

Opinion

We have audited the accompanying financial statements of Deltares USA, Inc. (Deltares), which comprise the statement of financial position as of December 31, 2023, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Deltares as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Deltares and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Deltares' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Deltares' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Deltares' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Deltares' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on pages I-(14 - 15), 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 May 9, 2024, on our consideration of Deltares' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Deltares' 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 Deltares' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

May 9, 2024

DELTAIRES USA, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,356,428	\$ 1,813,938
Grants and contracts receivable	1,119,641	789,416
Prepaid expenses	<u>12,024</u>	<u>9,910</u>
Total current assets	<u>3,488,093</u>	<u>2,613,264</u>
FIXED ASSETS		
Computer equipment	89,760	79,933
Less: Accumulated depreciation	<u>(68,498)</u>	<u>(55,849)</u>
Net fixed assets	<u>21,262</u>	<u>24,084</u>
NONCURRENT ASSETS		
Deposits	<u>1,458</u>	<u>1,458</u>
TOTAL ASSETS	<u>\$ 3,510,813</u>	<u>\$ 2,638,806</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 671,466	\$ 486,123
Refundable advances	1,639,730	1,499,027
Accrued salaries and related benefits	<u>76,567</u>	<u>59,090</u>
Total liabilities	<u>2,387,763</u>	<u>2,044,240</u>
NET ASSETS		
Without donor restrictions	<u>1,123,050</u>	<u>594,566</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,510,813</u>	<u>\$ 2,638,806</u>

DELTARES USA, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>Without Donor Restrictions</u>	
	<u>2023</u>	<u>2022</u>
SUPPORT AND REVENUE		
Grants and contracts	\$ 5,536,421	\$ 5,738,844
Interest income	<u>-</u>	<u>7</u>
Total support and revenue	<u>5,536,421</u>	<u>5,738,851</u>
EXPENSES		
Program Services	4,206,099	5,147,292
General and Administrative	<u>793,346</u>	<u>680,495</u>
Total expenses	<u>4,999,445</u>	<u>5,827,787</u>
Change in net assets before other item	536,976	(88,936)
OTHER ITEM		
Currency loss	<u>(8,492)</u>	<u>(6,543)</u>
Change in net assets	528,484	(95,479)
Net assets at beginning of year	<u>594,566</u>	<u>690,045</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,123,050</u>	<u>\$ 594,566</u>

DELTARES USA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	2023			2022
	Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries	\$ 625,347	\$ 493,429	\$ 1,118,776	\$ 943,259
Benefits	63,103	49,791	112,894	111,717
Pension plan contributions	36,834	29,064	65,898	57,760
Payroll taxes	46,292	36,526	82,818	69,127
Professional fees	58,140	45,875	104,015	118,343
Occupancy	17,569	13,863	31,432	29,281
Insurance	89,060	70,273	159,333	86,844
Depreciation	7,070	5,579	12,649	12,205
Travel and entertainment	61,429	13,809	75,238	65,268
Postage and delivery	324	256	580	489
Supplies	1,523	1,202	2,725	3,115
Dues, fees and licenses	17,936	14,152	32,088	34,538
Data processing	21,603	17,046	38,649	23,408
Subcontracts	3,141,773	-	3,141,773	4,222,455
Other expenses	18,096	2,481	20,577	49,978
TOTAL	\$ 4,206,099	\$ 793,346	\$ 4,999,445	\$ 5,827,787

DELTARES USA, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 528,484	\$ (95,479)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	12,649	12,205
(Increase) decrease in:		
Grants and contracts receivable	(330,225)	(237,136)
Prepaid expenses	(2,114)	7,060
Increase (decrease) in:		
Accounts payable and accrued liabilities	185,343	(80,070)
Refundable advances	140,703	85,935
Accrued salaries and related benefits	<u>17,477</u>	<u>138</u>
Net cash provided (used) by operating activities	<u>552,317</u>	<u>(307,347)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(9,827)</u>	<u>(16,328)</u>
Net cash used by investing activities	<u>(9,827)</u>	<u>(16,328)</u>
Net increase (decrease) in cash and cash equivalents	542,490	(323,675)
Cash and cash equivalents at beginning of year	<u>1,813,938</u>	<u>2,137,613</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,356,428</u>	<u>\$ 1,813,938</u>

DELTARES USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Deltares USA, Inc. (Deltares) is an independent not-for-profit research and consulting organization, incorporated in the State of Maryland and located in Silver Spring, Maryland. Deltares' work focuses on environmental research topics including reservoir management operations, the application of coastal modeling software, urban resilience, and open-source software modeling of coastal waters, estuaries, rivers, lakes, rural and urban areas.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit 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** - Net assets may be subject to donor-imposed stipulations that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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. There were no net assets with donor restrictions as of December 31, 2023.

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 Deltares' financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Cash and cash equivalents -

Deltares considers all cash and other highly liquid investments with initial maturities of three months or less 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, Deltares maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Deltares had approximately \$1,467,899 of cash and cash equivalents held at a financial institution in Canada at December 31, 2023. Such funds are insured by the Canada Deposit Insurance Corporation ("CDIC") up to a limit of CAD 100,000. At times during the year, Deltares maintains cash balances at the Canadian financial institution in excess of the CDIC limit. Management believes the risk in these situations to be minimal.

DELTARES USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

Grants and contracts receivable -

Grants and contracts receivable include unconditional promises to give that are expected to be collected in future years. Grants and contracts receivable are recorded at their fair value, which is measured as the present value of the future cash flows.

Fixed assets -

Fixed assets in excess of \$500 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally two to three years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation expense for the year ended December 31, 2023 totaled \$12,649.

Income taxes -

Deltares is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. Deltares is not a private foundation.

Support from grants and contracts -

The majority of Deltares' revenue is received through grants and contracts from the U.S. Government and other entities. Grants and contracts are recognized in the appropriate category of net assets in the period received. Deltares performs an analysis of the individual grants and contracts to determine if the funding streams follow the contribution rules or if they should be recorded as exchange transactions depending upon whether the transactions are deemed nonreciprocal or reciprocal in accordance with ASC Topic 958. Deltares' grants and contracts are generally recognized as contributions, as the work performed under the grants and contracts primarily benefits the general public and any value received by the resource providers is deemed to be incidental.

For grants and contracts qualifying under the contribution rules, support 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. Grants and contracts qualifying as contributions, that are unconditional but 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. Grants and contracts with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Funding from grants and contracts that is both received and released from restrictions in the same year is classified as without donor restrictions.

Conditional grants and contracts contain a right of return and a measurable barrier. Support is recognized when conditions have been satisfied. Most Federal and other grants and contracts are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional support received in advance of meeting specified conditions established by donors are recorded as refundable advances. Deltares' refundable advances totaled \$1,639,730 as of December 31, 2023.

DELTARES USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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

Support from grants and contracts (continued) -

In addition, Deltares has obtained funding source agreements related to conditional support, such as Federal awards from the U.S. Government, which will be received in future years. Deltares' unrecognized conditional support to be received in future years totaled approximately \$6,200,000 as of December 31, 2023.

Foreign currency translation -

The U.S. Dollar is the functional currency for Deltares' worldwide operations. Transactions in currencies other than U.S. Dollars are translated into dollars at the rate of exchange in effect during the month of the transaction. Assets and liabilities denominated in currencies other than U.S. Dollars are translated into dollars at the exchange rate in effect at the date of the Statement of Financial Position.

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.

Functional allocation of expenses -

The costs of providing Deltares' programs and supporting services 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 are reported as direct expenses within that functional area and expenses that benefited more than one functional area, such as personnel costs, were allocated based on estimated time and effort.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 2,356,428
Grants and contracts receivable	<u>1,119,641</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 3,476,069**

Deltares has a policy to structure its financial assets to be available and liquid as its obligations become due.

3. LEASE COMMITMENTS

Deltares leases office space under an agreement which extends through September 30, 2024. Base rent is \$20,275 per year, plus a proportionate share of expenses.

DELTARES USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

3. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum lease payments:

Year Ending December 31, 2024	\$ <u>15,207</u>
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Rent expense for the year ended December 31, 2023 was \$21,485 and is included within occupancy expense in the accompanying Statement of Functional Expenses.

4. RETIREMENT PLAN

Deltares provides retirement benefits to its employees through a defined contribution plan covering all full and part-time employees. Deltares provides a safe harbor nonelective contribution to each employee equal to 6% of covered compensation. Contributions to the Plan during the year ended December 31, 2023 totaled \$65,898.

5. CONTINGENCY

Deltares receives grants and contracts from various agencies of the United States Government. Such grants and contracts 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 (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants and contracts 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 2023. 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. SUBSEQUENT EVENTS

In preparing these financial statements, Deltares has evaluated events and transactions for potential recognition or disclosure through May 9, 2024, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

DELTARES USA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Awarding Agency and Award Number	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster					
United States Department of Commerce					
NA23OAR4310488	11.431	N/A	N/A	\$ -	\$ 2,706
Total United States Department of Commerce				-	2,706
United States Department of Homeland Security					
70RSAT20CB0000002	97.000	N/A	N/A	-	384,124
Total United States Department of Homeland Security				-	384,124
United States Department of the Navy					
N00173-23-2-C002	12.300	N/A	N/A	-	34,169
N00014-21-1-2235	12.300	N/A	N/A	-	313,949
N00014-21-1-2196	12.300	N/A	N/A	-	226,780
Total United States Department of the Navy				-	574,898
United States Department of the Interior					
G20AC0009	15.808	N/A	N/A	-	179,339
G22AC00530-00	15.808	N/A	N/A	-	199,316
G23AC00597-00	15.808	N/A	N/A	-	63,247
Total United States Department of the Interior				-	441,902
Total Research and Development Cluster				-	1,403,630
Total Expenditures of Federal Awards				\$ -	1,403,630
Non-Federal Grants and Contracts					4,132,791
TOTAL GRANTS AND CONTRACTS PER EXHIBIT B					\$ 5,536,421

DELTARES USA, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal Award activity of Deltares under programs of the Federal Government for the year ended December 31, 2023. Information in the Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The Schedule presents only a selected portion of the operations of Deltares; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of Deltares.

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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (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. Deltares has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

DELTARES USA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

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? Yes None Reported

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

Federal Awards

4). Internal control over major Federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

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

Assistance Listing Numbers	Name of Federal Program or Cluster
11.431	Research and Development Cluster
15.808	Research and Development Cluster
12.300	Research and Development Cluster
97.000	Research and Development Cluster

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

DELTARES USA, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Section II - Financial Statement Findings

There were no reportable findings.

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

There were no reportable findings.

Section IV - Prior Year Findings and Questioned Costs With Current Year Status

There were no prior year reportable findings.



CPAs & ADVISORS

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

To the Board of Directors
Deltares USA, Inc.
Silver Spring, Maryland

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 Deltares USA, Inc. (Deltares) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Deltares' basic financial statements, and have issued our report thereon dated May 9, 2024.

Report on Internal Control Over Financial Reporting

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Deltares' 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 financial statements. 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 results 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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

May 9, 2024



CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Deltares USA, Inc.
Silver Spring, Maryland

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Deltares USA, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Deltares USA, Inc.'s major Federal programs for the year ended December 31, 2023. Deltares' major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Deltares 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, 2023.

Basis for Opinion on Each Major Federal Program

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)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Deltares and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major Federal program. Our audit does not provide a legal determination of Deltares' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Deltares' Federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Deltares' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Deltares' compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Deltares' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Deltares' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Deltares' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Gelman Rosenberg & Freedman

May 9, 2024