

ROBONATION, INC.

AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2020

ROBONATION, INC.

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FINANCIAL STATEMENTS

ROBONATION, INC.

**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

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, 2020, 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.

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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

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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited RoboNation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, 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 page I-17, 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 March 30, 2022 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.



March 30, 2022

ROBONATION, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

ASSETS

| | <u>2020</u> | <u>2019</u> |
|--|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 379,820 | \$ 517,792 |
| Investments | 2,274,766 | 1,909,414 |
| Grants receivable | 272,905 | 555,357 |
| Accounts receivable | 132,938 | 377,977 |
| Prepaid expenses | 62,559 | 19,821 |
| Furniture and equipment, net of accumulated depreciation of \$33,573 and \$31,814 for 2020 and 2019, respectively | <u>510</u> | <u>2,268</u> |
| TOTAL ASSETS | <u>\$ 3,123,498</u> | <u>\$ 3,382,629</u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | | |
|------------------------|----------------|----------------|
| Accounts payable | \$ 250,729 | \$ 245,924 |
| Due to the Association | 1,916 | 774 |
| Deferred revenue | 43,244 | 46,479 |
| Accrued vacation | 66,672 | 32,187 |
| Refundable advance | <u>25</u> | <u>17,312</u> |
| Total liabilities | <u>362,586</u> | <u>342,676</u> |

NET ASSETS

| | | |
|---|----------------------------|----------------------------|
| Net assets without donor restrictions | <u>2,760,912</u> | <u>3,039,953</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 3,123,498</u> | <u>\$ 3,382,629</u> |

ROBONATION, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|----------------------------|----------------------------|
| SUPPORT AND REVENUE | | |
| Government grants | \$ 1,378,414 | \$ 2,191,062 |
| Educational kit sales | 868,551 | 1,764,245 |
| Student competitions (sponsorships) | 42,500 | 196,000 |
| Government contracts | - | 74,362 |
| Contributions | 2,035 | 25,084 |
| Miscellaneous | - | 19,134 |
| In-kind contributions | 50,703 | 161,479 |
| Investment income, net | 272,179 | 410,019 |
| Merchandise sales | <u>356</u> | <u>6,256</u> |
| Total support and revenue | <u>2,614,738</u> | <u>4,847,641</u> |
| EXPENSES | | |
| Program Services: | | |
| Student Competitions | 611,090 | 1,025,520 |
| Education | <u>1,338,751</u> | <u>2,588,009</u> |
| Total program services | <u>1,949,841</u> | <u>3,613,529</u> |
| Supporting Services: | | |
| Administrative Services | <u>943,937</u> | <u>902,923</u> |
| Total expenses | <u>2,893,778</u> | <u>4,516,452</u> |
| Change in net assets | (279,040) | 331,189 |
| Net assets at beginning of year | <u>3,039,952</u> | <u>2,708,764</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 2,760,912</u> | <u>\$ 3,039,953</u> |

ROBONATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

| | 2020 | | | 2019 | | |
|-------------------------------------|-------------------------|---------------------|------------------------------|----------------------------|---------------------|---------------------|
| | Program Services | | Total Program Services | Supporting Services | | Total Expenses |
| | Student Competitions | Education | | Administrative Services | Total Expenses | |
| Salaries and benefits | \$ 232,359 | \$ 472,974 | \$ 705,333 | \$ 542,286 | \$ 1,247,619 | \$ 1,282,114 |
| Professional fees | 3,000 | 11,836 | 14,836 | 84,436 | 99,272 | 279,849 |
| Travel and meeting expenses | 8,759 | 611 | 9,370 | 6,691 | 16,061 | 263,273 |
| Occupancy and other operating costs | 2,052 | 6,359 | 8,411 | 8,831 | 17,242 | 14,997 |
| Office expense | (1,181) | 19,367 | 18,186 | 25,373 | 43,559 | 154,397 |
| Information technology | 20,160 | 114,284 | 134,444 | 138,889 | 273,333 | 404,987 |
| Event expense | 33,137 | 683,841 | 716,978 | 1,535 | 718,513 | 1,646,033 |
| Equipment | 299,727 | 229 | 299,956 | 1,507 | 301,463 | 137,921 |
| Other | 13,077 | 14,250 | 27,327 | 133,615 | 160,942 | 244,381 |
| Payments to other organizations | - | 15,000 | 15,000 | 774 | 15,774 | 88,500 |
| TOTAL | \$ 611,090 | \$ 1,338,751 | \$ 1,949,841 | \$ 943,937 | \$ 2,893,778 | \$ 4,516,452 |

See accompanying notes to financial statements.

ROBONATION, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

| | 2020 | 2019 |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (279,040) | \$ 331,189 |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation | 1,758 | 4,371 |
| Unrealized gain on investments | (266,517) | (362,112) |
| Realized loss on investments | 38,863 | 7,080 |
| Decrease (increase) in: | | |
| Grants receivable | 282,452 | 274,101 |
| Accounts receivable | 245,039 | 196,341 |
| Prepaid expenses | (42,739) | 1,487 |
| Increase (decrease) in: | | |
| Accounts payable | 4,805 | (424,900) |
| Due from (to) the Association | 1,142 | (21,707) |
| Deferred revenue | (3,235) | 27,629 |
| Accrued vacation | 34,485 | 3,291 |
| Refundable advance | (17,287) | 17,312 |
| Net cash (used) provided by operating activities | (274) | 54,082 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 60,519 | 80,546 |
| Purchase of investments | (198,217) | (277,790) |
| Net cash used by investing activities | (137,698) | (197,244) |
| Net decrease in cash and cash equivalents | (137,972) | (143,162) |
| Cash and cash equivalents at beginning of year | 517,792 | 660,954 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 379,820 | \$ 517,792 |

ROBONATION, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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, 2019, from which the summarized information was derived.

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.

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

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, 2020 totaled \$1,758.

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, included in government grants revenue, 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 in the Statement of Activities and Change in Net Assets.

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. governments. 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 under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For grants and contributions qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions and grants qualifying as conditional contributions contain a right of return from obligation provision that limits RoboNation on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met.

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Revenue recognition (continued) -

Grants, contracts, and contributions (continued) -

Most grant 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 therefore recognized as contributions when the revenue becomes unconditional. 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 treated as contributions, RoboNation had approximately \$6,741,000 in unrecognized conditional awards as of December 31, 2020.

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 is 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. 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 contributions -

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. 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.

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Functional allocation of expenses (continued) -

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, 2020, 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.

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.

Economic uncertainties -

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.

ROBONATION, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

New accounting pronouncement (not yet adopted) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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 Activities and Change in Net Assets 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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standards 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, 2020:

| | <u>Cost</u> | <u>Fair Value</u> |
|--------------------------|----------------------------|----------------------------|
| Common stocks | \$ 496,642 | \$ 818,520 |
| Mutual funds - equities | 506,938 | 899,032 |
| Mutual funds - bonds | 379,894 | 396,686 |
| Exchange traded products | <u>76,775</u> | <u>160,528</u> |
| TOTAL INVESTMENTS | <u>\$ 1,460,249</u> | <u>\$ 2,274,766</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, 2020**

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 year ended December 31, 2020. 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, 2020:

| Asset Class: | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------|----------------------------|--------------------|--------------------|----------------------------|
| Common stocks | \$ 818,520 | \$ - | \$ - | \$ 818,520 |
| Mutual funds - equities | 899,032 | - | - | 899,032 |
| Mutual funds - bonds | 396,686 | - | - | 396,686 |
| Exchange traded products | <u>160,528</u> | <u>-</u> | <u>-</u> | <u>160,528</u> |
| TOTAL INVESTMENTS | <u>\$ 2,274,766</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,274,766</u> |

Included in investment income are the following for the year ended December 31, 2020:

| | |
|--------------------------------------|--------------------------|
| Interest and dividends | \$ 44,526 |
| Unrealized gain | 266,517 |
| Realized loss on sale of investments | (38,863) |
| Management fees | <u>(1)</u> |
| TOTAL INVESTMENT INCOME | <u>\$ 272,179</u> |

ROBONATION, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 379,820 |
| Investments | 2,274,766 |
| Grants receivable | 272,905 |
| Accounts receivable | <u>132,938</u> |

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 3,060,429**

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

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, 2020 was \$40,266. 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 2020. 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, 2020**

6. RELATED PARTY (Continued)

The Association performs limited administrative functions and shares office facilities with RoboNation. During 2020, the Association incurred administrative and program expenses of \$50,703 for RoboNation activities. These activities were not billed to RoboNation. As of December 31, 2020, RoboNation owed the Association a net amount of \$1,916.

7. SUBSEQUENT EVENTS

In preparing these financial statements, RoboNation has evaluated events and transactions for potential recognition or disclosure through March 30, 2022, the date the financial statements were issued.

On April 14, 2021, RoboNation entered into a five-year promissory note agreement in the amount of \$207,671 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.

SUPPLEMENTAL INFORMATION

ROBONATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

| Federal Grantor | Federal CFDA Number | Grant Identification Number | Passed-Through to Subrecipients | Total Federal Expenditures |
|--|------------------------|--------------------------------|------------------------------------|-------------------------------|
| Department of Defense: Office of Naval Research | | | | |
| Basic and Applied Scientific Research | 12.300 | N00014-18-1-2545 | \$ - | \$ 32,596 |
| Basic and Applied Scientific Research | 12.300 | N00014-17-1-2097 | - | 157,567 |
| Basic and Applied Scientific Research | 12.300 | N00014-17-1-2098 | - | 613,566 |
| Basic and Applied Scientific Research | 12.300 | N00014-17-1-2387 | <u>-</u> | <u>574,685</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS UNDER RESEARCH AND DEVELOPMENT CLUSTER | | | <u>\$ -</u> | <u>\$ 1,378,414</u> |

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, 2020. 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, 2020

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 | \$ 1,378,414 |

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, 2020

Section II - Financial Statement Findings

Please refer to Finding 2020-001 under Section III "Federal Award Findings and Questioned Costs".

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

Finding 2020-001: 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.

Cause: RoboNation did not comply with internal policies and procedures regarding the procurement of goods and services for the year ended December 31, 2020.

Effect: Purchases of goods and services could be made above the prevailing market rates if the prescribed procurement procedures are not adhered to, and thus, there lies the potential that the Organization will not receive the best value for its purchases. The procurement process should also allow for an evaluation of potential conflicts of interest with prospective vendors and contractors. Furthermore, failure to perform the proper procurement procedures could result in disallowance of Federal expenditures based on lack of fair competition.

Questioned Costs: Undetermined

Identification as a Repeat Finding, if Applicable: 2019-001

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: Management agrees with this recommendation and is in the process of updating its procedures to ensure all procurement actions for transactions in excess of the current procurement threshold are appropriately documented.

Responsible Official: Daryl Davidson

Anticipated Completion Date: March 1, 2022

ROBONATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Finding 2020-002: 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.

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.

Effect: RoboNation is drawing down funds in excess of immediate cash needs. This could lead to RoboNation having to return funds.

Questioned Costs: Undetermined

Identification as a Repeat Finding, if Applicable: 2019-002

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: During fiscal year 2020, funding claims to the Office of Naval Research were adjusted to a cost reimbursement basis. As such, RoboNation is no longer able to drawdown funds in advance. All reimbursement requested are now based on incurred costs as reported in the general ledger.

Responsible Official: Daryl Davidson

Anticipated Completion Date: Completed

Finding 2020-003: Federal Funding Accountability and Transparency Act Subaward Reporting

Information on Federal Programs: Research and Development Cluster

Criteria or Specific Requirement: The Federal Funding Accountability and Transparency Act (FFATA) requires most recipients of new Federal funds awarded on or after October 1, 2010 to report on subawards/subcontracts/consortiums equal to or greater than \$30,000. This includes awards that are initially below \$30,000 but subsequent grant modifications result in an award equal to or greater than \$30,000. Recipients are required to report subrecipient information to the FFATA Subaward Reporting System (FSRS). Grantees are required to register with FSRS, collect the necessary data from subawardees, and file subaward reports by the end of the month following the month in which the prime grantee awards any subaward greater than \$30,000.

ROBONATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Finding 2020-003: Federal Funding Accountability and Transparency Act Subaward Reporting
(Continued)

Condition: Our inquiries with management during our audit conclude that FFATA reporting did not occur for the subrecipients of Federal awards, where awards, including grant modifications exceeded the threshold of \$30,000.

Context: When inquired on FFATA reporting for subrecipients, management noted it was not performed.

Cause: RoboNation was not aware of the FFATA reporting requirement for its subrecipients.

Effect: Subrecipients that receive the Federal funding will not be included in the FSRS site, which is meant to be a collection tool for subaward data which will be ultimately distributed for publication and display on USASpending.gov.

Questioned Costs: None

Identification as a Repeat Finding, if Applicable: Not applicable

Recommendation: We recommend RoboNation be aware of all the compliance requirements included on its Federal funding to ensure all compliance requirements are met, including FFATA reporting requirements.

For first-tier subawards involving an obligation of \$30,000 or more in Federal funds, prime Federal fund recipients must report the following information:

1. Name of the entity receiving the award;
2. Amount and date of the award;
3. Funding agency;
4. Catalog of Federal Domestic Assistance (CFDA) number;
5. Award title descriptive of the purpose of each funding action;
6. Location of the sub-recipient receiving the award and primary location of performance under the award, including city, state, congressional district, and country;
7. DUNS number of the sub-recipient receiving the award and the parent entity of the sub-recipient, should the entity be owned by another entity.

Views of Responsible Officials and Planned Corrective Actions: RoboNation will submit FFATA reporting next time first-tier subaward is awarded and is above the threshold of \$30,000.

Name and Title of Responsible Official(s): Daryl Davidson

Anticipated Completion Date: During fiscal year 2022

Section IV - Prior Year Findings

Finding 2019-001: Procurement

Information on the Federal Programs: Research and Development Cluster

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.

ROBONATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Section IV - Prior Year Findings (Continued)

Finding 2019-001: Procurement (Continued)

Questioned Costs: Undetermined

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.

Current Year Status: We continued to note issues in relation to RoboNation not being in compliance with their own procurement policy.

Finding 2019-002: Cash Management

Information on the Federal Programs: Research and Development Cluster

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

Questioned Costs: Undetermined

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.

Current Year Status: We continued to note cash management issues where RoboNation had excess cash on hand.



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, 2020, and the related notes to the financial statements, which collectively comprise RoboNation's basic financial statements, and have issued our report thereon dated March 30, 2022.

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) 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 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 2020-001 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 financial statement. 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 2020-001.

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.



March 30, 2022



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 (RoboNation) 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, 2020. 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, 2020.

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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 Findings 2020-001, 2020-002 and 2020-003. 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 Findings 2020-001, 2020-002, and 2020-003, that we consider to be 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.



March 30, 2022



**ROBONATION, INC
FOR THE ENDED DECEMBER 31, 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.

Financial Statement Findings under GAGAS:

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

Federal Award Findings in accordance with 2 CFR 200.516:

Finding 2019-001: Procurement

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.

Status: We continued to note issues in relation to Robonation not being in compliance with their own procurement policy

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: Management agrees with this recommendation and is in the process of updating its procedures to ensure all procurement actions for transactions in excess of the current procurement threshold are appropriately documented.

Responsible Official: Daryl Davidson

Anticipated Completion Date: March 1, 2022

Finding 2019-002: Cash Management

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

Status: We continued to note cash management issues where RoboNation had excess cash on hand.

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.

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Views of Responsible Officials and Planned Corrective Actions: During fiscal year 2020, funding claims to the Office of Naval Research were adjusted to a cost reimbursement basis. As such, RoboNation is no longer able to drawdown funds in advance. All reimbursement requested are now based on incurred costs as reported in the general ledger

Responsible Official: Daryl Davidison

Anticipated Completion Date: Completed

DocuSigned by:
Daryl Davidison
7CB1F6CA71F14A9...

Daryl Davidison
RoboNation
Executive Director

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**ROBONATION, INC
FOR THE ENDED DECEMBER 31, 2020**

Corrective Action Plan for Current Year Audit Finding

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 details the corrective action plan to be taken for the finding noted in the December 31, 2020 audit.

Financial Statement Findings under GAGAS:

Please refer to Finding 2020-001 under Section III "Federal Award Findings and Questioned Costs".

Federal Award Findings in accordance with 2 CFR 200.516:

Finding 2020-001: Procurement

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.

Cause: RoboNation did not comply with internal policies and procedures regarding the procurement of goods and services for the year ended December 31, 2020.

Effect: Purchases of goods and services could be made above the prevailing market rates if the prescribed procurement procedures are not adhered to, and thus, there lies the potential that the Organization will not receive the best value for its purchases. The procurement process should also allow for an evaluation of potential conflicts of interest with prospective vendors and contractors. Furthermore, failure to perform the proper procurement procedures could result in disallowance of federal expenditures based on lack of fair competition.

Questioned Costs: Undetermined

Identification as a Repeat Finding, if Applicable: 2019-001

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: Management agrees with this recommendation and is in the process of updating its procedures to ensure all procurement actions for transactions in excess of the current procurement threshold are appropriately documented.

Responsible Official: Daryl Davidson

Anticipated Completion Date: March 1, 2022

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Finding 2020-002: Cash Management

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

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

Effect: RoboNation is drawing down funds in excess of immediate cash needs. This could lead to RoboNation having to return funds

Questioned Costs: Undetermined

Identification as a Repeat Finding, if Applicable: 2019-002

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: During fiscal year 2020, funding claims to the Office of Naval Research were adjusted to a cost reimbursement basis. As such, RoboNation is no longer able to drawdown funds in advance. All reimbursement requested are now based on incurred costs as reported in the general ledger

Responsible Official: Daryl Davidison

Anticipated Completion Date: Completed

Finding 2020-003: Federal Funding Accountability and Transparency Act Subaward Reporting

Condition: Our inquiries with management during our audit conclude that FFATA reporting did not occur for the subrecipients of Federal awards, where awards, including grant modifications exceeded the threshold of \$30,000

Cause: RoboNation was not aware of the FFATA reporting requirement for its subrecipients.

Effect: Subrecipients that receive the Federal funding will not be included in the FSRS site, which is meant to be a collection tool for subaward data which will be ultimately distributed for publication and display on USASpending.gov.

Questioned Costs: None

Identification as a Repeat Finding, if Applicable: Not applicable

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Recommendation: We recommend RoboNation be aware of all the compliance requirements included on its Federal funding to ensure all compliance requirements are met, including FFATA reporting requirements.

For first-tier subawards involving an obligation of \$30,000 or more in Federal funds, prime Federal fund recipients must report the following information:

1. Name of the entity receiving the award;
2. Amount and date of the award;
3. Funding agency;
4. Catalog of Federal Domestic Assistance (CFDA) number;
5. Award title descriptive of the purpose of each funding action;
6. Location of the sub-recipient receiving the award and primary location of performance under the award, including city, state, congressional district, and country;
7. DUNS number of the sub-recipient receiving the award and the parent entity of the sub-recipient, should the entity be owned by another entity.

Views of Responsible Officials and Planned Corrective Actions: RoboNation will submit FFATA reporting next time first-tier subaward is award and is above the threshold of \$30,000.

Responsible Official: Daryl Davidson

Anticipated Completion Date: During fiscal year 2022.

DocuSigned by:

Daryl Davidson

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Daryl Davidson
RoboNation
Executive Director

robonation.org