

DELTARES USA, INC.

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2022

DELTARES USA, INC.

CONTENTS

	PAGE NO.
I. Financial Section	
Financial Statements, for the Year Ended December 31, 2022, with Summarized Financial Information for 2021, Including the Schedules of Expenditures of Federal Awards and Findings and Questioned Costs	I-(1 - 17)
II. 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	II-(1 - 2)
III. Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	III-(1 - 3)

FINANCIAL STATEMENTS

DELTARES USA, INC.

AUDIT REPORT

**FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

DELTARES USA, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	I-(3 - 5)
EXHIBIT A - Statement of Financial Position, as of December 31, 2022, with Summarized Financial Information for 2021	I-6
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2022, with Summarized Financial Information for 2021	I-7
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2022, with Summarized Financial Information for 2021	I-8
EXHIBIT D - Statement of Cash Flows, for the Year Ended December 31, 2022, with Summarized Financial Information for 2021	I-9
NOTES TO FINANCIAL STATEMENTS	I-(10 - 13)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of Expenditures of Federal Awards, for the Year Ended December 31, 2022	I-(14 - 15)
SCHEDULE 2 - Schedule of Findings and Questioned Costs, for the Year Ended December 31, 2022	I-(16 - 17)



CPAs & ADVISORS

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, 2022, 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, 2022, 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.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

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

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's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, 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 September 29, 2023, 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".

September 29, 2023

DELTARES USA, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,813,938	\$ 2,137,613
Grants and contracts receivable	789,416	552,280
Prepaid expenses	<u>9,910</u>	<u>16,970</u>
Total current assets	<u>2,613,264</u>	<u>2,706,863</u>
FIXED ASSETS		
Computer equipment	79,933	63,605
Less: Accumulated depreciation	<u>(55,849)</u>	<u>(43,644)</u>
Net fixed assets	<u>24,084</u>	<u>19,961</u>
NONCURRENT ASSETS		
Deposits	<u>1,458</u>	<u>1,458</u>
TOTAL ASSETS	<u>\$ 2,638,806</u>	<u>\$ 2,728,282</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 486,123	\$ 566,193
Deferred revenue	1,499,027	1,413,092
Accrued salaries and related benefits	<u>59,090</u>	<u>58,952</u>
Total liabilities	<u>2,044,240</u>	<u>2,038,237</u>
NET ASSETS		
Without donor restrictions	<u>594,566</u>	<u>690,045</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,638,806</u>	<u>\$ 2,728,282</u>

DELTARES USA, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>Without Donor Restrictions</u>	
	<u>2022</u>	<u>2021</u>
SUPPORT AND REVENUE		
Grants and contracts	\$ 5,738,844	\$ 4,694,035
Interest income	<u>7</u>	<u>-</u>
Total support and revenue	<u>5,738,851</u>	<u>4,694,035</u>
EXPENSES		
Program Services	5,147,292	4,197,032
General and Administrative	<u>680,495</u>	<u>471,389</u>
Total expenses	<u>5,827,787</u>	<u>4,668,421</u>
Change in net assets before other items	(88,936)	25,614
OTHER ITEMS		
Currency loss	(6,543)	-
Forgiveness of debt	<u>-</u>	<u>113,625</u>
Change in net assets	(95,479)	139,239
Net assets at beginning of year	<u>690,045</u>	<u>550,806</u>
NET ASSETS AT END OF YEAR	<u>\$ 594,566</u>	<u>\$ 690,045</u>

DELTARES USA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Program Services	General and Administrative	Total Expenses	Total Expenses
Salaries	\$ 528,701	\$ 414,558	\$ 943,259	\$ 739,142
Benefits	62,618	49,099	111,717	92,187
Pension plan contributions	32,375	25,385	57,760	48,913
Payroll taxes	38,746	30,381	69,127	54,628
Professional fees	66,332	52,011	118,343	72,218
Occupancy	16,412	12,869	29,281	24,882
Insurance	48,676	38,168	86,844	80,648
Depreciation	6,841	5,364	12,205	8,385
Travel and entertainment	49,897	15,371	65,268	10,315
Postage and delivery	274	215	489	383
Supplies	1,746	1,369	3,115	5,243
Conferences	-	-	-	107
Dues, fees and licenses	19,359	15,179	34,538	29,924
Data processing	13,120	10,288	23,408	31,070
Subcontracts	4,222,455	-	4,222,455	3,459,767
Other expenses	39,740	10,238	49,978	10,609
TOTAL	\$ 5,147,292	\$ 680,495	\$ 5,827,787	\$ 4,668,421

DELTAIRES USA, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (95,479)	\$ 139,239
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	12,205	8,385
Forgiveness of debt	-	(113,625)
(Increase) decrease in:		
Grants and contracts receivable	(237,136)	94,163
Prepaid expenses	7,060	(3,703)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(80,070)	86,328
Deferred revenue	85,935	395,982
Accrued salaries and related benefits	<u>138</u>	<u>96</u>
Net cash (used) provided by operating activities	<u>(307,347)</u>	<u>606,865</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(16,328)</u>	<u>(13,558)</u>
Net cash used by investing activities	<u>(16,328)</u>	<u>(13,558)</u>
Net (decrease) increase in cash and cash equivalents	(323,675)	593,307
Cash and cash equivalents at beginning of year	<u>2,137,613</u>	<u>1,544,306</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,813,938</u>	<u>\$ 2,137,613</u>

DELTARES USA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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 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. There were no net assets with donor restrictions as of December 31, 2022.

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.

Grants and contracts receivable -

Grants and contracts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectable within one year of the date of the Statement of Financial Position. Accordingly, an allowance for doubtful accounts has not been established.

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, 2022 totaled \$12,205.

DELTAIRES USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

Income taxes -

Deltaires 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. Deltaires is classified as a private foundation, however there was no taxable investment income during the year ended December 31, 2022.

Uncertain tax positions -

For the year ended December 31, 2022, Deltaires 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.

Grants and contracts -

The majority of Deltaires' 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. Deltaires performs an analysis of the individual grants and contracts to determine if the revenue streams follow the contribution rules or if they should be recorded as exchange transactions depending upon whether the transactions are deemed nonreciprocal or reciprocal 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 contracts qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grant and contract awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Funds received in advance of the incurrence of qualifying expenditures are recorded as deferred revenue. For grants and contracts treated as contributions, Deltaires had approximately \$990,000 in unrecognized conditional awards as of December 31, 2022.

Revenue recognition for grants and contracts classified as exchange transactions follows ASU 2014-09, *Revenue from Contracts With Customers*, and revenue is recorded 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.

DELTARES USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

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 the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of Deltares 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.

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for Deltares for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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

2. 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	\$ 1,813,938
Grants and contracts receivable	<u>789,416</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>2,603,354</u>

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

DELTARES USA, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

3. LEASE COMMITMENTS

Deltares leases office space under an agreement which extends through September 30, 2023. Base rent is \$19,685 per year, plus a proportionate share of expenses.

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

Year Ending December 31, 2023	\$ <u>14,764</u>
--------------------------------------	-------------------------

Rent expense for the year ended December 31, 2022 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, 2022 totaled \$57,760.

5. CONTINGENCY

Deltares receives grants and contracts 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 (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 2022. 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 September 29, 2023, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

DELTARES USA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Awarding Agency and Program Title	Assistance Listing Number	Pass-Through Entity	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	2022 Expenditures
Research and Development Cluster					
United States Department of Commerce					
NA18OAR4530470	11.459	N/A	N/A	\$ -	\$ 25,804
Total United States Department of Commerce				-	25,804
United States Department of Homeland Security					
70RSAT20CB0000002	97.000	N/A	N/A	-	464,493
Total United States Department of Homeland Security				-	464,493
United States Department of the Navy					
N00014-17-1-2459	12.300	N/A	N/A		46,247
N00014-21-1-2235	12.300	N/A	N/A	-	122,972
N00014-21-1-2196	12.300	N/A	N/A	-	156,470
Total United States Department of the Navy				-	325,689
United States Department of the Interior					
G20AC0009	15.808	N/A	N/A	-	657,274
G22AC00530-00	15.808	N/A	N/A	-	1,109
Total United States Department of the Interior				-	658,383
Total Research and Development Cluster				-	1,474,369
Total Expenditures of Federal Awards				\$ -	1,474,369
Non-Federal Grants and Contracts					4,264,475
TOTAL GRANTS AND CONTRACTS PER EXHIBIT B					\$ 5,738,844

DELTARES USA, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

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, 2022. 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 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. 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, 2022

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
11.459	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, 2022**

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, 2022, and the related notes to the financial statements, which collectively comprise Deltares' basic financial statements, and have issued our report thereon dated September 29, 2023.

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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
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".

September 29, 2023



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, 2022. 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, 2022.

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.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • WWW.GRFCPA.COM

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

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

September 29, 2023