

Consolidated Financial Statements,
Independent Auditor's Report and
Reports Required by *Government
Auditing Standards* and Uniform
Guidance

Noblis, Inc. and Subsidiaries

September 29, 2023 and September 30, 2022

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Noblis, Inc. and Subsidiaries

Opinion

We have audited the consolidated financial statements of Noblis, Inc. (a nonprofit organization) and subsidiaries (the “Entity”), which comprise the statement of financial position as of September 29, 2023 and September 30, 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Entity as of December 29, 2023 and September 30, 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity’s ability to continue as a going concern for one year after the date the financial statements are issued.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 US GAAS will always detect a material misstatement when it exists. 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 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 consolidated financial statements.

In performing an audit in accordance with US GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 the Entity's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's 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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our

opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated 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 December 20, 2023 on our consideration of the Entity'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 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 the Entity's 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 the Entity's internal control over financial reporting and compliance.

Grant Thornton LLP

Arlington, Virginia
December 20, 2023

Noblis, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Dollars in thousands)

	<u>September 29, 2023</u>	<u>September 30, 2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 414	\$ 484
Accounts receivable, net of allowance for doubtful accounts	59,015	51,510
Contract assets	18,584	16,946
Prepaid expenses and other assets	<u>7,169</u>	<u>7,278</u>
Total current assets	85,182	76,218
Property and equipment, net	6,538	7,640
Other assets		
Investments, fair value	104,370	95,288
Investments, cost	2,000	-
Goodwill	135,536	135,536
Intangible assets, net	6,242	8,306
Operating right-of-use assets	34,450	-
Other	<u>2,492</u>	<u>1,687</u>
Total assets	<u>\$ 376,810</u>	<u>\$ 324,675</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Book overdraft	\$ 327	\$ 37
Accounts payable and accrued expenses	20,118	20,527
Accrued compensation and related expenses	38,942	35,730
Operating right-of-use liabilities - current portion	8,524	-
Contract liabilities	<u>7,317</u>	<u>3,396</u>
Total current liabilities	75,228	59,690
Long-term obligations		
Bank line of credit	13,218	31,197
Benefit obligations and deferred compensation	2,406	1,617
Operating right-of-use liabilities - non-current portion	<u>29,235</u>	<u>-</u>
Total long-term obligations	44,859	32,814
Total liabilities	120,087	92,504
Total net assets without donor restrictions	<u>256,723</u>	<u>232,171</u>
Total liabilities and net assets	<u>\$ 376,810</u>	<u>\$ 324,675</u>

The accompanying notes are an integral part of these consolidated financial statements.

Noblis, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF ACTIVITIES
(Dollars in thousands)

	September 29, 2023	September 30, 2022
Revenue	\$ 531,522	\$ 465,018
Costs and expenses		
Contract costs	471,937	415,522
General and administrative	34,926	31,428
Research and development	6,970	6,279
Amortization of intangibles	2,064	2,922
	515,897	456,151
Income from operations	15,625	8,867
Other income (expenses)		
Interest and dividend income	3,220	3,363
Net realized and unrealized investment gains (losses)	5,945	(17,502)
Interest expense	(1,487)	(608)
Other income, net	1,249	1,002
	8,927	(13,745)
CHANGE IN NET ASSETS	24,552	(4,878)
Net assets without donor restrictions, beginning of year	232,171	237,049
Net assets without donor restrictions, end of year	\$ 256,723	\$ 232,171

The accompanying notes are an integral part of these consolidated financial statements.

Noblis, Inc. and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	<u>September 29, 2023</u>	<u>September 30, 2022</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 24,552	\$ (4,878)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Net realized and unrealized investment (gain) loss	(5,945)	17,502
Bad debt expense	8	9
Depreciation and amortization	5,550	6,241
Changes in operating assets and liabilities		
Accounts receivable	(7,513)	(10,975)
Contract assets	(1,638)	(3,242)
Prepaid expenses and other assets	109	(1,879)
Other assets	(805)	4,584
Bank overdraft	290	(69)
Accounts payable and accrued expenses	(409)	(371)
Accrued compensation and related expenses	3,212	2,174
Contract liabilities	3,921	116
Lease obligations	3,309	-
Benefit obligations and deferred compensation	789	(4,381)
	<u>25,430</u>	<u>4,831</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	(2,384)	(3,569)
Interest and dividends reinvested	(3,220)	(3,363)
Purchase of investments, cost	(2,000)	-
Purchase of investments, fair value	(31,373)	(25,230)
Proceeds from the sale of investments	31,456	25,260
	<u>(7,521)</u>	<u>(6,902)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Borrowings on bank line of credit	313,592	288,171
Repayments on bank line of credit	(331,571)	(286,456)
	<u>(17,979)</u>	<u>1,715</u>
Net cash (used in) provided by financing activities		
NET DECREASE IN CASH AND CASH EQUIVALENTS	(70)	(356)
Cash and cash equivalents, beginning of year	484	840
Cash and cash equivalents, end of year	\$ 414	\$ 484
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,487	\$ 608

The accompanying notes are an integral part of these consolidated financial statements.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 29, 2023 and September 30, 2022
(Dollars in thousands)

NOTE A - BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Noblis, Inc. (the "Company", "Noblis," "we," or "our") was incorporated on December 11, 1995 under the laws of the State of Delaware and commenced business on January 29, 1996. Noblis is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code ("IRC") and state statutes, respectively, with the exception of unrelated business income. Noblis is headquartered in Reston, Virginia, with offices throughout the United States. Noblis is a science, technology and strategy organization that helps clients solve complex scientific systems, processes, and infrastructure matters or challenges in ways that benefit the public.

The following is a summary of the significant accounting policies for Noblis, which have been consistently applied in the preparation of the accompanying consolidated financial statements. All amounts are stated in thousands, unless otherwise noted.

Accounting Period

Noblis utilizes a 52-week annual reporting period composed of four quarters with 13 weeks each, with the fiscal year ending on the final Friday in its fiscal year end month. Due to the timing of when the fiscal year ends, some periods may contain 53 weeks instead of 52. The accompanying consolidated financial statements present 52-week periods ended September 29, 2023 and September 30, 2022.

Net Assets

Net assets represent the excess of accumulated contract cost reimbursements and fees and other income over total costs and expenses, plus the net assets transferred from a predecessor 501(c)(3) organization in 1996. Noblis' net assets are without donor restrictions.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Noblis, Inc. and its wholly owned subsidiaries, Noblis ESI LLC, and Noblis MSD LLC. All significant intercompany transactions have been eliminated in consolidation.

Reclassification

Certain comparative figures have been reclassified to conform to the current year presentation.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

Revenue Recognition

The Company generates substantially all of its revenue from three different types of contractual arrangements with the U.S. federal government: cost-plus-fee, time-and-materials (“T&M”), and fixed-price contracts. A summary of the revenue by contract arrangement type follows. A majority of the Company’s contracts with the U.S. government are generally subject to the Federal Acquisition Regulation and are competitively priced based on estimated costs of providing the contractual goods or services.

	September 29, 2023	September 30, 2022
Time-and-materials	\$ 252,793	\$ 224,082
Cost-plus-fee	196,103	171,584
Fixed-price	82,626	69,352
Total revenue	\$ 531,522	\$ 465,018

The Company accounts for a contract when the parties have approved the contract and are committed to perform on it, the rights of each party and the payment terms are identified, the contract has commercial substance, and it is probable that we will collect substantially all of the consideration.

At contract inception, the Company determines whether the goods or services to be provided are to be accounted for as a single performance obligation or as multiple performance obligations. This evaluation requires professional judgement and it may impact the timing and pattern of revenue recognition. Substantially all of the Company’s contracts call for multiple promises that are highly integrated and, as such, we typically account for them as having a single performance obligation.

When determining the total transaction price, the Company identifies both fixed and variable consideration elements within the contract. Variable consideration, typically in the form of award or incentive fees, is included in the estimated transaction price, to the extent that it is probable that a significant reversal of revenue will not occur, when there is a basis to reasonably estimate the amount of the fee. These estimates are typically based on historical award experience, anticipated performance and our best judgement based on current facts and circumstances. Throughout the performance period, the Company recognizes revenue on a constrained amount of variable consideration only to the extent that it is probable that a significant reversal of the cumulative amount recognized to date will not be required in a subsequent period.

The Company generally recognizes revenue over time throughout the performance period as the customer simultaneously receives and consumes the benefits provided on our services-type revenue arrangements. This continuous transfer of control for U.S. government contracts is supported by the unilateral right of our customer to terminate the contract for a variety of reasons without having to provide justification for its decision. For services-type revenue arrangements in which there are a repetitive amount of services that are substantially the same from one month to the next, the Company applies the series guidance. The Company typically uses an input method based on costs incurred to approximate the progress towards complete satisfaction of the performance obligation. For certain contracts, primarily cost-plus and T&M services-type revenue arrangements, the Company applies the right-to-invoice practical expedient in which revenue is recognized in direct proportion to the present right to consideration for progress towards the complete satisfaction of the performance obligation.

When a performance obligation has a significant degree of interrelation or interdependence between one month’s deliverables and the next, when there is an award or incentive fee, or when there is a significant degree of customization or modification, the Company generally records revenue using a percentage of completion methodology. For these revenue arrangements, substantially all revenue is recognized over

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

time using a cost-to-cost input method based on the ratio of costs incurred to date to total estimated costs at completion. When estimates of total costs to be incurred on a contract exceed total revenue, a provision for the entire loss on the contract is recorded in the period in which the loss is determined.

Contract modifications are reviewed to determine whether they should be accounted for as part of the original performance obligation or as a separate contract. When a contract modification changes the scope or price and the additional performance obligations are at their standalone selling price, the original contract is terminated and the Company accounts for the change prospectively when the new goods or services to be transferred are distinct from those already provided. When the contract modification includes goods or services that are not distinct from those already provided, the Company records a cumulative adjustment to revenue based on a remeasurement of progress towards the complete satisfaction of the not yet fully delivered performance obligation.

Based on the critical nature of the Company's contractual performance obligations, the Company may proceed with work based on customer direction prior to the completion and signing of formal contract documents. The Company has a formal review process for approving any such work that considers previous experiences with the customer, communications with the customer regarding funding status, and the Company's knowledge of available funding for the contract or program.

Noblis bills federal governments in conformity with government contract schedules. Noblis recognizes deferred revenue when amounts billed on contracts exceed revenue recognized.

Contract Assets

Contract assets include unbilled receivables typically resulting from revenue recognized on long-term contracts when the amount of revenue recognized exceeds the amounts billable. It also includes contract retainages until the Company has met the contract-stipulated requirements for payment. Contract assets are reported in a net position on a contract-by-contract basis each period. On a contract-by-contract basis, amounts do not exceed their net realizable value.

Contract Liabilities

Contract liabilities include advance payments received and billings in excess of revenue recognized on long-term contracts. Contract liabilities are reported in a net position on a contract-by-contract basis each period.

Accounts Receivable

The majority of Noblis' accounts receivable are due from U.S. federal government agencies. While Noblis' allowance for doubtful accounts is generally insignificant because of the nature of the contracts and customers, Noblis bases it on the following factors: management's estimate of the creditworthiness of its clients, analysis of subsequent changes in contracts, analysis of delinquent accounts, the payment histories of the accounts, and management's judgment with respect to current economic conditions. In the opinion of management, the allowance for doubtful accounts is sufficient to respond to credit risk associated with accounts receivable. Management sets reserves for customers based upon historical percentages of accounts receivable balances written-off and sets specific reserves for customers whose accounts have aged significantly beyond this historical collection experience and collectability is in doubt. Should business conditions deteriorate or any major client default on its obligations to Noblis, this allowance may need to be increased, which would have a negative impact on Noblis' results of operations. The allowance for doubtful accounts is an estimate with any changes recorded in general and administrative expenses.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

Cash and Cash Equivalents

Noblis considers money market investments and highly liquid debt instruments purchased with an original maturity of three months or less and designated to fund operations to be cash equivalents.

Investments, Fair Value

Noblis records its investments in money market funds, liquid debt instruments and mutual funds at fair market value, based on the last reported sales price on the valuation date.

Net investment gains included in the consolidated statements of activities are comprised of earnings and losses from investment activity, including realized and unrealized gains and losses from investments.

Investments are internally managed, principally through investments in money market, stocks, and mutual funds. The board of trustees has adopted investment policies and guidelines, which cover asset allocation and impose various restrictions and limitations on the investment of funds. These restrictions and limitations are specific to each asset classification and cover concentrations of market risk, at both the individual issuer and industry group levels, and various other matters.

Investments, Cost

The Company holds investments in certain privately-held entities. The Company accounts for these investments using the cost method when it is determined that the investment provides the Company with little or no influence over the investee. Under the cost method of accounting, the investment is measured at cost, adjusted for observable price changes and impairments, with changes recognized in income. The investments are subject to qualitative assessment for indicators of impairment.

The carrying value of the cost method investments for the year ended September 29, 2023 is \$2,000.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, which is 3 to 7 years for equipment. Leasehold improvements are amortized over the lives of the respective leases or 5 years, whichever is shorter. Internally developed software is amortized over 4.5 years. Assets acquired are not depreciated until they are placed in service. The straight-line method of depreciation is followed for all assets. Improvements and additions which increase the value or extend the life of the related assets are capitalized. Upon retirement or sale of an asset, its cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the consolidated statements of activities.

Maintenance and repairs are expensed as incurred. In addition to the equipment acquired by Noblis, which is included in the accompanying consolidated statements of financial position, Noblis also uses certain government furnished equipment for which it is accountable to the U.S. government.

Goodwill and Intangibles Assets

Noblis follows the guidance under Accounting Standards Codification ("ASC") 958-805, *Not-for-Profit Entities, Business Combinations*, to account for goodwill and indefinite-lived identifiable intangible assets recognized in an acquisition. Such assets are tested for impairment at least annually first considering whether any triggering events may have occurred that might signify the possibility of an impairment having occurred. If then appropriate Noblis performs a comparison of the estimated fair value of the consolidated unit to the related carrying value of reporting units. Noblis has concluded that its chief operation decision maker (or "CODM") evaluates performance of the business and allocates resources in a manner that

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

consists of one reporting unit. A qualitative assessment of possible triggering events and an analysis was performed which indicated the fair value of the reporting unit exceeded the carrying value of those assets and liabilities and, therefore, goodwill was not considered impaired as of September 29, 2023 and September 30, 2022.

Noblis is amortizing customer-related intangibles acquired in its McKean Defense Group (Renamed Noblis MSD) acquisition over a six-year period and marketing intangibles over an 18 month period, both on a straight-line basis. The marketing and customer-related intangibles acquired in its Inductive Minds acquisition in 2020 are being amortized over one-year and three-year periods, respectively, on a straight-line basis. The amortization period of the intangible assets is based on management's best estimate at the time of the acquisition and is assessed annually to determine if the remaining useful life is appropriate.

Leave

Under Noblis' leave policy, employees are permitted to accumulate unused paid time off up to certain amounts. The policy provides for payment to employees of unused paid time off at termination or retirement. Noblis accrues paid time off as it is earned.

Research and Development Costs

Research and development costs are expensed as incurred.

Income Taxes

Noblis, Inc. is exempt from federal income tax under IRC Section 501(c)(3) and 170(b)(1)(A)(vi), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. Noblis' for-profit subsidiaries, Noblis ESI LLC and Noblis MSD LLC are wholly owned LLCs disregarded for U.S. income tax purposes.

The Company has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

The Company has tax loss carryovers available to offset unrelated business income taxable income and a \$7 deferred tax asset was recorded in the accompanying consolidated financial statements for the limited unrelated business income not related to the Company's non-profit mission.

The Company follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

Concentrations of Credit Risk

Noblis places its cash with high credit quality institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC"). Cash deposits may exceed the FDIC insurable limit of \$250 at times throughout the year. As of September 29, 2023, no amount was in excess of FDIC limits.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

Noblis has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Financial instruments which potentially subject Noblis to concentrations of credit risk consist principally of cash, cash equivalents, mutual funds with financial institutions and investment companies and commercial accounts receivable. Management has never experienced any losses in the past and believes any loss from such credit risk to be highly unlikely.

Major Clients

Contracts and grants with federal government agencies accounted for substantially all of Noblis' revenue for the years ended September 29, 2023 and September 30, 2022. Additionally, these agencies accounted for substantially all of Noblis' accounts receivable as of September 29, 2023 and September 30, 2022. Revenues generated from contracts with four federal agencies accounted for approximately 56% of Noblis' revenue for the years ended September 29, 2023 and September 30, 2022. In addition, there was one individual contract accounting for 16% and 17% of Noblis' revenue for the year ended September 29, 2023 and September 30, 2022, respectively. The contracts and grants with federal government agencies generally contain termination for convenience clauses that allow for those customers to terminate contracts. However, while no assurances can be given about future events and circumstances, any such terminations and cancellations of contracts with our customers have been extremely rare and insignificant in the past.

Use of Estimates

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

Fair Value of Financial Instruments

Financial Accounting Standards Board ("FASB") ASC 820, *Fair Value Measurements*, provides the framework for measuring fair value and expands disclosures about fair value measurements.

In accordance with ASC 820, Noblis classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available) and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value of measurement.

All fair value investments held by Noblis for the fiscal years ended September 29, 2023 and September 30, 2022 were Level 1 investments. Following is a description of the valuation methodologies used for assets measured at fair value:

Money Market Accounts - Valued at quoted prices in an active market are classified within Level 1 of the fair value hierarchy.

Mutual Funds - Valued at the quoted prices in an active market are classified within Level 1 of the fair value hierarchy.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

Recently Issued Accounting Pronouncements

Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842): In February 2016 the FASB issued ASU 2016-02, *Leases* (Topic 842), which was issued to increase transparency and comparability among organizations by requiring the recognition of right-of-use (“ROU”) assets and lease liabilities on the balance sheet for those leases classified as operating leases. The Company adopted ASU 2016-02 and all related amendments using the modified retrospective adoption approach. The Company’s financial statements for the period ended September 30, 2022 in accordance with ASC 840 have not been adjusted.

ASU 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. At lease inception, leases are classified as either finance leases or operating leases with associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancellable lease term. At the date of adoption, the Company recorded operating lease right-of-use assets of \$40,122 and lease liabilities as of \$43,455. The new standard did not have a material impact to the Company’s statement of activities or cash flows.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Company elected the package of practical expedients permitted under the transition guidance which does not require the Company to reassess prior conclusions regarding whether contracts are or contain a lease, not to re-assess lease classification on existing leases and not to re-assess initial direct costs of obtaining a lease.

The new standard also provides for several accounting policy elections, as follows:

- The Company has elected the policy not to separate lease and non-lease components for all asset classes.
- The Company elected not to apply the recognition requirements for all leases with an original term of 12 months or less, for which the Company is not likely to exercise a renewal option or purchase the asset at the end of the lease term; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Refer to additional required disclosures for Topic 842 in Note J.

ASU 2016-13, Financial Instruments – Credit Losses (Topic 326): In June 2016 the FASB issued ASU 2016-13, which adds a new Topic 326 to the Codification and removes the thresholds that companies apply to measure credit losses on financial instruments measured at amortized cost, such as loans, receivables, and held-to-maturity debt securities. Under current U.S. GAAP, companies generally recognize credit losses when it is probable that the loss has been incurred. The revised guidance will remove all recognition thresholds and will require companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the company expects to collect over the instrument’s contractual life. The guidance for this standard is expected to become effective for Noblis for the fiscal year beginning September 30, 2023.

NOTE B - LIQUIDITY AND AVAILABILITY

Noblis regularly monitors the liquidity required to meet its operating needs and contractual commitments while also attempting to maximize the long-term value of its available funds. The Company has multiple sources of liquidity at its disposal, including cash and cash equivalents, marketable securities and a line of credit.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

Noblis does not receive significant contributions or gifts with restrictions.

As of September 29, 2023, the following financial assets could be readily available within one year of the consolidated statement of financial position date to meet general expenditures.

Cash and cash equivalents	\$	414
Accounts receivable, net of allowance for doubtful accounts, and contract assets		77,599
Investments, fair value		<u>104,370</u>
	\$	<u>182,383</u>

The Company holds the investment fund for the purpose of long-term appreciation and re-investment in the business, but those funds remain available and unrestricted.

NOTE C - ACQUISITIONS

On April 30, 2021, Noblis acquired the stock of McKean Defense Group Inc., a provider of life-cycle management, engineering, enterprise transformation and program management business to U.S. government clients.

The amount assigned to the intangible asset, customer contracts and relationships will be amortized on a straight-line basis over a six-year life and the amount assigned to the intangible asset, marketing and trade name will be amortized on a straight-line basis over an eighteen-month life.

The remaining amounts to be amortized for all intangible assets are as follows:

<u>Fiscal Year</u>	<u>Customer Related</u>	<u>Total</u>
2024	\$ 1,752	\$ 1,752
2025	1,738	1,738
2026	1,738	1,738
2027	<u>1,014</u>	<u>1,014</u>
	<u>\$ 6,242</u>	<u>\$ 6,242</u>

The amortization expense totaled \$2,064 and \$2,922 for years ended September 29, 2023 and September 30, 2022, respectively.

NOTE D - FUNCTIONAL ALLOCATION OF EXPENSES

The Company allocates its expenses on a functional basis among its various contracts and support services. Expenditures which can be identified with a specific contract or support service are allocated directly, according to their natural expenditure.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

Company functional allocation of expenses consists of the following for the year ended September 29, 2023:

	Contract	Management and General	Fundraising	Total
Compensation and benefits	\$ 305,994	\$ 15,930	\$ 3,644	\$ 325,815
Professional fees	133,912	1,451	731	136,094
Occupancy	12,335	200	-	12,535
Information technology	11,059	210	2	11,271
Depreciation and amortization	5,273	276	-	5,549
Office expenses	11,014	460	3	11,477
Travel	5,689	359	38	6,086
Other corporate and general	1,049	2,801	1	3,851
Conferences, conventions and meetings	3,247	213	6	3,466
Other - interest expense	1,487	-	-	1,487
Other - income	(1,249)	-	-	(1,306)
Total expenses	\$ 489,810	\$ 21,900	\$ 4,425	\$ 516,135

Company functional allocation of expenses consists of the following for the year ended September 30, 2022:

	Contract	Management and General	Fundraising	Total
Compensation and benefits	\$ 271,418	\$ 14,990	\$ 2,479	\$ 288,887
Professional fees	121,336	2,261	405	124,002
Occupancy	12,401	298	-	12,699
Information technology	9,619	323	-	9,942
Depreciation and amortization	6,124	283	-	6,407
Office expenses	3,798	495	20	4,313
Travel	3,393	227	12	3,632
Other corporate and general	795	2,608	2	3,405
Conferences, conventions and meetings	2,795	69	-	2,864
Other - interest expense	608	-	-	608
Other - income	(1,002)	-	-	(1,002)
Total expenses	\$ 431,285	\$ 21,554	\$ 2,918	\$ 455,757

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

NOTE E - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following on:

	September 29, 2023	September 30, 2022
Receivables under U.S. government contracts and subcontractors:		
Amounts billed	\$ 59,035	\$ 51,523
Contract assets (unbilled costs and fees)	18,583	16,946
	77,618	68,469
Less allowance for doubtful accounts	(19)	(13)
Total accounts receivable	\$ 77,599	\$ 68,456

Changes in Noblis' allowance for doubtful accounts are as follows for the years ended:

	September 29, 2023	September 30, 2022
Beginning balance	\$ 13	\$ 3
Bad debt expense	8	9
Accounts written off	(2)	1
Ending balance	\$ 19	\$ 13

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment consist of the following on:

	September 29, 2023	September 30, 2022
Computer equipment and software	\$ 18,631	\$ 18,491
Office equipment	7,199	7,259
Leasehold improvements	6,682	7,157
	32,512	32,907
Less accumulated depreciation	(26,458)	(25,613)
	6,054	7,294
Construction in progress	484	346
Total property and equipment, net	\$ 6,538	\$ 7,640

The Company recorded depreciation expense totaling \$3,486 and \$3,319 for the years ended September 29, 2023 and September 30, 2022, respectively.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

NOTE G - INVESTMENTS AT FAIR VALUE

The following table sets forth Level 1 assets within the fair value hierarchy. Noblis' investments are reported at fair value as follows on:

	September 29, 2023	September 30, 2022
Money market funds	\$ 2,144	\$ 5,257
Mutual fund investments:		
United States government and agency obligations	16,920	20,321
Other debt securities	17,942	17,066
Common and preferred stocks:		
Domestic	46,940	38,327
International	20,424	14,317
Investments at fair value	104,370	95,288
Total investments	\$ 104,370	\$ 95,288

Money market funds are classified as investments as management has the intent of holding them for more than three months.

Investment (losses) and gains are summarized as follows for the years ended:

	September 29, 2023	September 30, 2022
Net realized losses	\$ (412)	\$ (76)
Net unrealized gains (losses)	6,357	(17,426)
	\$ 5,945	\$ (17,502)

NOTE H - BANK LINE OF CREDIT

Noblis has a credit agreement with a bank that provides for secured borrowings up to \$80 million, under a five-year revolving line of credit. The line of credit bears interest at the one-month SOFR plus 10 bps rate plus a tiered spread of between 0.85% and 2.40% based on Adjusted Funded Debt to EBITDA. The agreement matures on June 1, 2024.

Noblis is required to maintain a Fixed Charges Coverage Ratio of 1.25 and an Adjusted Funded Debt Ratio of less than 2.75. As of September 29, 2023 and September 30, 2022, Noblis was in compliance with all covenants. The credit facilities are collateralized by all assets and proceeds, whether cash or non-cash, of all foregoing property.

Amounts outstanding on the credit agreement as of September 29, 2023 were \$13,218 and \$31,197 as of September 30, 2022. During the years ended September 29, 2023 and September 30, 2022, the average interest rates were 5.49% and 1.64%, and the effective year-end rates for those years were 6.28% and 3.43%, respectively.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

NOTE I - EMPLOYEE BENEFIT PLANS

Employee Retirement Plans

Noblis has three employee retirement plans (the “Plans”) covering substantially all employees. These Plans are defined contribution plans established under Sections 403(b) and 401(a) of the IRC. Pursuant to the Plans, employees may elect to contribute a percentage of their annual base salaries and Noblis will contribute a certain percentage of the participants’ base salaries. During the years ended September 29, 2023 and September 30, 2022, Noblis recognized expenses of approximately \$15,555 and \$14,317, respectively, for contributions to these Plans. This expense is included in contract costs on the consolidated statements of activities.

Officer Retention Plan (“ORP”)

Noblis has a non-qualified deferred compensation plan for its officers which have varied contributions and vests when certain employment criteria are satisfied. For the year ended September 29, 2023, ORP assets increased by \$751 consisting of contributions by Noblis of \$810, gains on plan assets of \$167, less distributions of \$226. For the year ended September 30, 2022, ORP assets increased by \$2 consisting of contributions by Noblis of \$434, losses on plan assets of \$241, less distributions of \$191. Included in other assets was \$2,181 and \$1,430 of plan investments and included in benefit obligations and deferred compensation was \$2,442 and \$1,653 at September 29, 2023 and September 30, 2022, respectively.

NOTE J - OPERATING LEASES

The Company leases certain office space and equipment. Certain leases include renewal options and Noblis defines the initial lease term to include renewal options determined to be reasonably certain. In addition, real property leases may contain incentives for tenant improvements, rent holidays or rent escalation clauses. For tenant improvement incentives received, if the incentive is determined to be a leasehold improvement owned by the lessee, the Company records the incentives as a reduction to the right-of-use asset. Rent holidays and rent escalation clauses during the lease term are recorded as rental expense on a straight-line basis over the term of the lease. For these lease incentives, Noblis uses the date of initial possession as the commencement date, which is generally when the Company is granted access to the space and begins to make improvements in preparation for intended use. The Company does not have any material restrictions or covenants in its lease agreements, sales-leaseback transactions, land easements or residual value guarantees.

Leases, Prior to October 1, 2022

Total rent expense under operating leases for the year ended September 30, 2022 was \$11,253. There was no sublease rental income for the year ended September 30, 2022.

Leases, October 1, 2022 and After

Right-of-use assets represent Noblis’ right to use an underlying asset for the lease term, while lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the term of the lease.

Certain of the Company’s leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at Noblis’ sole discretion. Noblis regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Company includes such options in the lease term.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

In determining the discount rate used to measure the right-of-use assets and lease liabilities, Noblis uses the Company's incremental borrowing rate. Noblis' incremental borrowing rate is based on the interest rate on its line of credit with TD Bank.

Right-of-use assets are assessed for impairment in accordance with the Company's ASC 842 policy. The Company reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

Noblis made significant assumptions and judgements in applying the requirements of ASC 842. In particular, The Company:

- Evaluated whether a contract contains a lease by considering factors such as whether the Company obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain material embedded leases;
- Determined the discount rate used to measure the lease liability

Noblis does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of September 29, 2023:

Operating lease right-of-use assets	\$ 34,450
Operating lease liabilities:	
Current	8,524
Long-term	<u>29,235</u>
Total operating lease liabilities	<u>\$ 37,759</u>

The Company incurred \$9,017 of operating lease rent expense during the year ended September 29, 2023.

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 3%. As of September 29, 2023, the weighted average remaining lease term was 3 years.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

The table below summarizes Noblis' scheduled future minimum lease payments for years ending after September 29, 2023:

Fiscal Year	Minimum Lease Payments
2024	\$ 9,550
2025	9,333
2026	9,022
2027	8,461
2028	2,299
2029 and thereafter	1,745
Total lease payments	40,410
Less: present value discount	2,642
Total operating lease liability	37,769
Less: current portion	8,533
Long-term lease liability	\$ 29,235

Noblis rents office and other equipment under various operating leases expiring at various dates through September 2027. Approximate aggregate minimum rentals under such leases are as follows:

Fiscal Year	Amount
2024	\$ 805
2025	405
2026	23
2027	-
	\$ 1,233

NOTE K - COMMITMENTS AND CONTINGENCIES

Certain of Noblis' contract costs are subject to annual incurred cost audits by the U.S. Defense Contract Audit Agency ("DCAA"). The DCAA has performed audits of Noblis' indirect cost rates through fiscal year 2022 for Noblis, Inc. and Noblis MSD, LLC and fiscal year 2021 for Noblis ESI, LLC. Contract revenue has been recorded in amounts that are expected to be realized upon final settlement. The Company does not expect any material adjustments to result from outstanding audits.

Noblis is self-insured for health, dental, and prescription costs. The estimated self-insurance liability is determined based on claims history. The health insurance liability for all plans was \$1,701 and \$1,175 at September 29, 2023 and September 30, 2022, respectively, and is included in accrued compensation and related expenses.

Noblis, Inc. and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 29, 2023 and September 30, 2022
(Dollars in thousands)

The Company is involved in various legal matters and proceedings arising in the ordinary course of business. While these matters and proceedings cause it to incur costs, including, but not limited to, attorneys' fees, the Company currently believes that any ultimate liability arising out of these matters and proceedings will not have a material adverse effect on the Company's financial position, results of operations, or cash flows.

NOTE L - SUBSEQUENT EVENTS

Noblis has evaluated subsequent events through December 20, 2023, which is the date the consolidated financial statements were available for issuance, and determined that there have been no events that have occurred that would require adjustments to our disclosures in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

Noblis, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards

September 29, 2023		FY23	FY23
Federal Grantor Pass-through Grantor/Program Title	ALN No./Contract Number	Federal Expenditures	Subrecipient
Major Program – Research and Development – Cluster			
U.S. Department of Defense			
Army NATIK / DBPAO PSET v4.0	12.W911SR-22-C-0049	\$ 370,786	\$ -
Army-ACC DTA	12.W56HZV18D0077	1,105	-
DTRA CTR A&S	12.HDTRA121F0033	36,724,240	29,953,336
NSA CTF	12.H98230-15-C-0369	3,600,683	2,188,029
NPGS - SERDP Special Studies	12.47QFCA20F0041	1,173,065	30,148
AF CDMC	12.47QFCA20F0054	52,552	-
AF DCGS Legacy Engineer	12.47QFNA22F0084	94,501	-
NSWC - Port Hueneme / ADSSS	12.N6339416D0018	3,225,168	1,299
NSWC-Philadelphia / Expert Fluids Sys	12.N6449819D4032	7,059	-
NIWC-PAC / FFG(X) F0008 Labor base	12.N6600121D0008	117,814	-
NGA / Learn Mgmt Supp Svcs	12.HM047623C0009	1,904	-
Pass-through from Edmund Sci Comp / Sustainable TechEval Dem	12.S2019-SSP-002	1,380,978	-
Pass- through from Advanced Technology Intl / OTA Base Agreement Award	12.2022-463	122,881	-
Pass-through from BAH / FIREFORGE	12.A1902 (frmly S904513BAH)	334,619	-
Pass-through from MI Technical Solutions / PSO SPPT	12.ID05190067	254,940	-
Pass-through from ARA/RD-CXQ Support	12.S-D00040-CWMD-IDIQ-99-NOB	379,412	-
		47,841,707	32,172,812
U.S. Department of Homeland Security			
Investigative Science	97.14000418C0001	(14)	-
RDT&E SETA	97.70RSAT19D00000003	3,878,048	1,726,730
RDT&E SETA	97.HSHQDC13D00038	(6,295)	(6,196)
CWMD	97.70RWMD20F00000035	6,095,381	2,509,685
Bluewater Litus	97.70QS0520F00000004	8,464,724	-
FR Support - Horus O&M	97.70CMSD21FR0000149	17,289	-
Office of Industry Partnerships	97.70RSAT19FR0000120	503,810	217,925
Priority Modeling ECD	97.70RCSA22FR0000078	1,278,252	-
Pass-through from DHS / ECS-FED DHS -QSMO STRAT INN SUP support	97.2022-CTES-NOB001	490,225	-
		20,721,421	4,448,144
National Aeronautics & Space Administration - NASA			
Pass-through from KBR-NASA /Range Operations Contract	43.TXS0000021	857,624	-
Pass-through from KBR-NASA / ESMO HSE and NS and GOES-R Ground Proj Supp	43.SMS0013594	2,414,575	-
Pass-through from ASRC FED SYS - NASA / Prgm Analysis&Control V	43.AS19-02267	206,263	-
Pass-through from ALCYON TECK SVS / NASA Space Weather Follow	43.ATSJV-D-38008-055	1,020,273	-
		4,498,735	-
U.S. Department of State			
DOS IMAGES	19.19AQMM18F0272	1,910,322	-
		1,910,322	-
U.S. Department of Transportation			
Federal Aviation Administration / FAA / Enterprise Programs, Infrastructure and Communications Services (EPICS)	20.DTFAWA-17-D-00014	81,408,320	39,840,231
Federal Highway Administration / CV Technical support	20.DTFH6116F00019	155,482	-
Federal Highway Administration / Enhance & Maintain RDE	20.DTFH61-16-D-00036	111,825	-
Federal Highway Administration / CAV Modeling-Simulation	20.693JJ321F000381	143,381	-
Federal Highway Administration / Next GEN TMS & FHWA PFS	20.693JJ320F000406	174,544	-
Federal Highway Administration / Intel Transpo Sys TechSup	20.693JJ321D000021	5,996,656	385,447
Federal Highway Administration / OASIS NextGen TMS/TMC PFS	20.693JJ323F00040N	145,745	995
Federal Highway Administration / Ent Arch & Req Support	20.693KA8-23-D-00007	789,172	217,191
Pass-through from National Academy of Science (NAS)	20.C.HR 08-145	175,025	64,199
Pass-through from EVANS Incorporate - FAA / AirTraffic & Prog Spt	20.Evans-2018-10	1,763,468	-
Pass-through from ICF / NHI TAT Web Training	20.20RWBO0038	104,523	-
Pass-through from Veritium Ingenuity, LLC/ DOT EIS Transition Suppt	20.V-JV-0004-DOT-NOB	206,027	-
Pass-through from REGULUS/ FAA E-IDS Program Support	20.2021-00005-PSS09	1,783,602	-
Pass-through from LS Technologies / FAA SE2025 Systems	20.S-201515-NOBLIS-00030	919,941	-
		93,877,712	40,508,063
General Services Administration			
Pricing Support II	39.47QTCB21F0019	288,407	-
FedRAMP TO 150-OY1	39.47HAA020F0150	(486,669)	(25,240)
FedRAMP TO 045	39.47QPCA22F0045	8,326,087	372,769
Trans Coordination Center	39.S20021	47,645	-
		8,175,470	347,529

See accompanying notes to schedule of expenditures of federal awards.

Noblis, Inc. and Subsidiaries

Schedule of Expenditures of Federal Awards

September 29, 2023		FY23	FY23
Federal Grantor Pass-through Grantor/Program Title	ALN No./Contract Number	Federal Expenditures	Subrecipient
Department of Health and Human Services			
PCS /ACF-Budget Exec Sys FY21	93.75P00120F80271	\$ 6,252	\$ 6,154
Pass-through from Analytica / CMS Central Data Admin	93.CMS-SPARC-00008I-Noblis	(9)	-
		6,242	6,154
U.S. Department of Justice			
FBI Latent Lab White Box	16.DJF-17-1200-G-0007574	48,722	-
FBI Supt for Biometric Resear	16.47QFSA22F0144	160,120	-
NIJ Tire Evidence Black Box	16.2020-DQ-BX-0026	53,685	450
NIJ DNA Mix Interlab Study	16.2020-R2-CX-0049	173,711	42,509
Mountain Metal	16.Undisclosed	15,537,499	6,126,681
NIST Bullet Black Box	16.70NANB18H232	93,454	-
NIST Bullet Black Box Followon	16.70NANB23H011	59,181	-
		16,126,371	6,169,640
Department of Commerce			
Pass-through from ASRC - NOAA / Program Analysis & Control V	11.AS19-02267	529,645	-
		529,645	-
Other			
U.S. Postal Service / USPS Master Agreement	99.1BITSV-10-B-0021	265,740	-
U.S. Postal Service / 2021 TMO Services	99.1BITSV-20-B-0002	6,511,535	-
IRS / IRS UBABA	99.2032H5-20-F-00028	10,614,958	295,174
IRS / IRS CCSD Metrics & Strategic	99.2032H5-20-F-00199	2,316,481	28,755
Pass-through from Maximus / IRS IT Sec Implementation	99.S18-47QTCK18D0044	4,129,694	204,160
Pass-through from Candor / IRS Unified Communications	99.Candor-Noblis-018-UNS0173	409,978	-
Pass-through from ASR / IRS Unified Communication	99.ASR_DAIS IPA 2.0_Noblis-0001	365,824	-
Pass-through from Etelligent / IRS HVA 24/7 Monitoring	99.HVA Continuous Monitoring Spt	1,628,923	103,121
		26,243,133	631,209
Undisclosed			
NRO/Undisclosed	99-Classified	161,475	-
USGC / Undisclosed	99-C.B19-2019240G004	2,736,114	167,872
USGC / Undisclosed	99-C.2022-21101500004	8,462,104	5,072,635
USGC / Undisclosed	99-C.2023-23080400001	58,985	-
Pass-through from ACCENTURE/Undisclosed	99-C.S000085	161,671	-
Pass-through from ACCENTURE/Undisclosed	99-C.S001050	348,805	-
Pass-through from GCI, Inc. / Undisclosed	99-C.GCI-17-1607-18G	76,180	-
Pass-through from LEIDOS / Undisclosed	99-C.PO10241601	1,242,801	-
Pass-through from RAYTHEON / Undisclosed	99-C.ATP	826,610	-
Pass-through from Northrop Grumman / Undisclosed	99-C.5300011589/7500172747	53,041	-
Pass-through from ODU-NAS / Undisclosed	99-C.22-191-400514-010	58,698	-
Pass-through from Perspecta Engineering/ Undisclosed	99-C.PO-0017772	2,216,159	-
		16,402,644	5,240,507
TOTAL		\$ 236,333,400	\$ 89,524,059

See accompanying notes to schedule of expenditures of federal awards.

Noblis, Inc. and Subsidiaries

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 29, 2023

NOTE A - BUSINESS AND ORGANIZATION

Noblis, Inc. ("Noblis") was incorporated on December 11, 1995 under the laws of the State of Delaware and commenced business on January 29, 1996. Noblis is a nonprofit, nonstock company organized under the provisions of Section 501(c)(3) of the Internal Revenue Code. Noblis performs research, development and engineering services of a scientific nature in the public interest principally to agencies of the U.S. government and state and local governments.

NOTE B - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Noblis and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

Noblis generally operates under cost-type and time and material contracts with its federal sponsors and records costs as the effort is expended. Contract costs are recorded on the basis of direct costs, overhead and general and administrative expenses incurred. Indirect costs are allocated on the basis of direct labor cost incurred.

NOTE C - RESEARCH AND DEVELOPMENT PROGRAM CLUSTER

Noblis has determined all of its federal contracts constitute a research and development program cluster. Accordingly, the accompanying schedule of expenditures of federal awards reflects all of its federal contracts as a research and development program cluster.

NOTE D - GOVERNMENT FURNISHED EQUIPMENT

In addition to equipment acquired by Noblis, which is included in the accompanying consolidated statements of financial position, Noblis also uses certain government furnished equipment for which it is accountable to the U.S. government.

NOTE E - INDIRECT COST RATE

The Company has elected not to use the 10% de minimis cost rate provided for in Subpart E, Section 200.414 of the Uniform Guidance.

NOTE F - ASSISTANCE LISTING NUMBERS

Assistance listing numbers are not provided for each contract listed on the schedule of expenditures of federal awards. Therefore, the agreement numbers were used.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Board of Trustees
Noblis, Inc. and Subsidiaries

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Noblis, Inc. and subsidiaries (the "Entity"), which comprise the consolidated statement of financial position as of September 29, 2023, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2023.

Report on internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the Entity'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control.

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

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

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Entity's consolidated 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 report is not suitable for any other purpose.

Grant Thornton LLP

Arlington, Virginia
December 20, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Board of Trustees
Noblis, Inc. and Subsidiaries

Report on compliance for each major federal program

Opinion on each major federal program

We have audited the compliance of Noblis, Inc. and subsidiaries (the "Entity") with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of the Entity's major federal programs for the year ended September 29, 2023. The Entity's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Entity 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 September 29, 2023.

Basis for opinion on each major federal program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 the Entity 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Entity's 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 the Entity's federal programs

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 the Entity's 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 US GAAS, *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 the Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *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 the Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of 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 the Entity's 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. Given these limitations, during our audit we did not identify any deficiencies in the Entity's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been 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.

Grant Thornton LLP

Arlington, Virginia
December 20, 2023

Noblis, Inc. and Subsidiaries
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 29, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|----------------------------------|
| 1. Internal control over the major program: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 2. Type of auditors' report issued on compliance for major program: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance
Title 2 U.S. Code of Federal Regulations (CFR)
Part 200, Uniform Administrative Requirements, Cost Principles,
and Audit Requirements for Federal Award? | No |
| 4. Identification of major program: | |
| Name of Federal Program or Cluster | Assistance
Listing
Numbers |
| Research and Development Cluster | Various |
| 5. Dollar threshold used to distinguish between Type A and B | \$3,000,000 |
| 6. Auditee qualified as low-risk auditee? | No |

SECTION 2 - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.