



Advanced Technology International and Subsidiary

Consolidated Financial Statements and
Reports and Schedules Required by
Government Auditing Standards and the
Uniform Guidance
Years Ended September 30, 2023 and 2022

Advanced Technology International and Subsidiary

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by *Government Auditing Standards* and the Uniform Guidance
Years Ended September 30, 2023 and 2022

Advanced Technology International and Subsidiary

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Independent Auditor's Report

The Board of Directors
Advanced Technology International

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Advanced Technology International and its subsidiary (collectively, "ATI"), which comprise the consolidated statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Advanced Technology International and its subsidiary as of September 30, 2023 and 2022, and the changes in their net assets and their 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *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 Consolidated Financial Statements section of our report. We are required to be independent of ATI 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 Consolidated 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 ATI's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.



Auditor's Responsibilities for the Audit of the Consolidated 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 GAAS and *Government Auditing Standards* 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 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 consolidated 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 ATI'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 ATI'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 accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including 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 GAAS. 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 February 23, 2024 on our consideration of ATI'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 ATI'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 ATI's internal control over financial reporting and compliance.

BDO USA, P.C.

February 23, 2024

Consolidated Financial Statements

Advanced Technology International and Subsidiary

Consolidated Statements of Financial Position

(in thousands)

September 30,	2023	2022
Assets		
Current Assets		
Cash and cash equivalents, including restricted cash of \$308,854 and \$158,296, respectively, at September 30, 2023 and 2022	\$ 698,615	\$ 732,589
Short-term investments, including restricted investments of \$662,907 and \$621,601, respectively, at September 30, 2023 and 2022	953,453	644,704
Accounts receivable	89,057	80,259
Other receivables and prepaid expenses	595	584
Total Current Assets	1,741,720	1,458,136
Intangible assets, net of accumulated amortization of \$1,235 and \$561, respectively, at September 30, 2023 and 2022	2,865	3,539
Goodwill	2,987	2,987
Property and equipment, net of accumulated depreciation of \$3,241 and \$2,911, respectively, at September 30, 2023 and 2022	1,046	1,062
Right-of-use assets	5,810	-
Fair value of interest rate swap	1,257	-
Land and land development	5,359	5,359
Long-term investments	50,352	4,837
Total Assets	\$ 1,811,396	\$ 1,475,920
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 691,375	\$ 589,164
Accrued expenses	6,358	5,078
Operating lease liabilities, current	2,118	-
Loan payable, current	3,300	-
Unearned revenue, including restricted unearned revenue of \$971,761 and \$779,897, respectively, at September 30, 2023 and 2022	980,870	785,222
Due to Analytic Services Inc.	-	1,918
Total Current Liabilities	1,684,021	1,381,382
Debt due to Analytic Services Inc.	-	3,508
Operating lease liabilities, net of current portion	3,692	-
Loan payable, net of current portion	61,875	-
Contingent consideration payable	2,017	4,194
Total Liabilities	1,751,605	1,389,084
Net Assets		
Net assets with donor restrictions	3,000	-
Net assets without donor restrictions	56,791	86,836
Total Net Assets	59,791	86,836
Total Liabilities and Net Assets	\$ 1,811,396	\$ 1,475,920

See accompanying notes to consolidated financial statements.

Advanced Technology International and Subsidiary

Consolidated Statement of Activities

(in thousands)

Year Ended September 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Contract revenues	\$ 4,255,569	\$ -	\$ 4,255,569
Other revenues	3,218	3,000	6,218
Total Operating Revenues	4,258,787	3,000	4,261,787
Operating Expenses			
Directly identifiable contract costs	4,184,872	-	4,184,872
Salaries, wages and other related costs	20,975	-	20,975
Professional and contract services	6,651	-	6,651
Facility operating costs	17	-	17
Rents and leases	2,253	-	2,253
Travel and relocation costs	1,289	-	1,289
General and administrative	3,171	-	3,171
Information technology	5,294	-	5,294
Depreciation and amortization	1,265	-	1,265
Change in fair value of contingent consideration	(377)	-	(377)
Support services provided by Analytic Services Inc.	283	-	283
Total Operating Expenses	4,225,693	-	4,225,693
Change in Net Assets from Operations	33,094	3,000	36,094
Non-operating Activities			
Interest income and net gain from investments	3,708	-	3,708
Change in fair value of interest rate swap	1,257	-	1,257
Interest expense	(2,406)	-	(2,406)
Other non-operating income	21	-	21
Contribution to Analytic Services Inc.	(65,719)	-	(65,719)
Total Non-operating Activities	(63,139)	-	(63,139)
Change in Net Assets	(30,045)	3,000	(27,045)
Net Assets, beginning of year	86,836	-	86,836
Net Assets, end of year	\$ 56,791	\$ 3,000	\$ 59,791

See accompanying notes to consolidated financial statements.

Advanced Technology International and Subsidiary

Consolidated Statement of Activities

(in thousands)

Year Ended September 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Contract revenues	\$ 5,125,894	\$ -	\$ 5,125,894
Other revenues	3,124	-	3,124
Total Operating Revenues	5,129,018	-	5,129,018
Operating Expenses			
Directly identifiable contract costs	5,059,417	-	5,059,417
Salaries, wages and other related costs	20,832	-	20,832
Professional and contract services	4,592	-	4,592
Facility operating costs	52	-	52
Rents and leases	2,152	-	2,152
Travel and relocation costs	649	-	649
General and administrative	2,928	-	2,928
Information technology	5,093	-	5,093
Depreciation and amortization	1,190	-	1,190
Change in fair value of contingent consideration	1,207	-	1,207
Support services provided by Analytic Services Inc.	738	-	738
Total Operating Expenses	5,098,850	-	5,098,850
Change in Net Assets from Operations	30,168	-	30,168
Non-operating Activities			
Interest income and net loss from investments	(6,248)	-	(6,248)
Interest expense	(74)	-	(74)
Other non-operating income	9	-	9
Contribution to Analytic Services Inc.	(7,000)	-	(7,000)
Total Non-operating Activities	(13,313)	-	(13,313)
Change in Net Assets	16,855	-	16,855
Net Assets, beginning of year	69,981	-	69,981
Net Assets, end of year	\$ 86,836	\$ -	\$ 86,836

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Functional Expenses

(in thousands)

<i>Year ended September 30, 2023</i>	Directly Identifiable Contract Costs	Management and General	Total Expenses
Expenses			
Salaries, wages and other related costs	\$ 22,836	\$ 20,975	\$ 43,811
Professional and contract services	4,155,417	6,651	4,162,068
Facility operating costs	-	17	17
Rents and leases	-	2,253	2,253
Travel and relocation costs	1,345	1,289	2,634
General and administrative	5,274	3,171	8,445
Information technology	-	5,294	5,294
Depreciation and amortization	-	1,265	1,265
Change in fair value of contingent consideration	-	(377)	(377)
Support services provided by Analytic Services Inc.	-	283	283
Interest expense	-	2,406	2,406
Total Expenses	\$ 4,184,872	\$ 43,227	\$ 4,228,099

<i>Year ended September 30, 2022</i>	Directly Identifiable Contract Costs	Management and General	Total Expenses
Expenses			
Salaries, wages and other related costs	\$ 19,425	\$ 20,832	\$ 40,257
Professional and contract services	5,034,995	4,592	5,039,587
Facility operating costs	-	52	52
Rents and leases	-	2,152	2,152
Travel and relocation costs	886	649	1,535
General and administrative	4,111	2,928	7,039
Information technology	-	5,093	5,093
Depreciation and amortization	-	1,190	1,190
Change in fair value of contingent consideration	-	1,207	1,207
Support services provided by Analytic Services Inc.	-	738	738
Interest expense	-	74	74
Total Expenses	\$ 5,059,417	\$ 39,507	\$ 5,098,924

See accompanying notes to consolidated financial statements.

Advanced Technology International and Subsidiary

Consolidated Statements of Cash Flows

(in thousands)

Years Ended September 30,	2023	2022
Operating Activities		
Operating income	\$ 36,094	\$ 30,168
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,265	1,190
Change in fair value of contingent consideration	(377)	1,207
Changes in operating assets and liabilities:		
Accounts receivable	(8,798)	(1,148)
Other receivables and prepaid expenses	(11)	(183)
Accounts payable	102,211	(117,568)
Accrued expenses	1,280	705
Unearned revenue	195,648	109,368
Due to Analytic Services Inc.	(1,918)	1,719
Net Cash Provided by Operating Activities	325,394	25,458
Investing Activities		
Interest income	-	36
Investment income	3,729	-
Purchases of property and equipment	(575)	(359)
Purchases of investments	(384,793)	-
Cash paid for acquisition of business	(1,800)	(4,437)
Proceeds from sale of investments	30,529	174,637
Net Cash (Used in) Provided by Investing Activities	(352,910)	169,877
Financing Activities		
Proceeds from line of credit	-	3,000
Payments on line of credit	-	(3,000)
Proceeds from loan payable	66,000	-
Payments on loan payable	(825)	-
Interest expense	(2,406)	-
Payments on debt due to Analytic Services Inc.	(3,508)	(1,769)
Contribution to Analytic Services Inc.	(65,719)	(7,000)
Net Cash Used in Financing Activities	(6,458)	(8,769)
(Decrease) Increase in Cash, Cash Equivalents, and Restricted Cash	(33,974)	186,566
Cash, Cash Equivalents and Restricted Cash, beginning of year	732,589	546,023
Cash, Cash Equivalents and Restricted Cash, end of year	\$ 698,615	\$ 732,589
Supplemental Schedule of Noncash Investing and Financing Activities		
Right-of-use assets recorded in exchange for lease liabilities	\$ 6,808	\$ -
Interest accrued on debt due to Analytic Services Inc.	\$ -	\$ 74
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 2,406	\$ 60

See accompanying notes to consolidated financial statements.

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

1. Description of Activities and Significant Accounting Policies

Advanced Technology International (“ATI”) is a nonprofit corporation organized under the laws of South Carolina on May 18, 1998 and was a controlled affiliate of Analytic Services Inc. (“ANSER”) from February 1, 2017 through February 28, 2023. ANSER is a nonprofit corporation chartered in California in July 1958. On February 28, 2023, ATI and ANSER entered into a change of control agreement in which ATI agreed to provide consideration to ANSER in the amount of \$65.0 million and ANSER agreed to no longer appoint or approve ATI directors and agreed to relinquish control over governance of ATI. ATI operates as an independent legal entity headquartered in Summerville, South Carolina. TechConnect LLC is a wholly owned subsidiary of ATI. All references to “ATI” herein refer to the consolidated operations of Advanced Technology International and TechConnect LLC.

ATI conducts collaborative research and development programs, for both governmental and commercial entities, on a contractual basis.

Basis of Accounting

The consolidated financial statements of ATI have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”). ATI’s fiscal year end is September 30. Any intercompany transactions between consolidated entities are eliminated within the consolidated financial statements.

Concentrations of Credit Risk

ATI’s financial instruments that are exposed to concentrations of credit risk consist primarily of investments and accounts receivable from contracts.

ATI’s cash and cash equivalents are comprised of highly liquid instruments. Investments are in securities placed with financial institutions. ATI’s investment practice limits ATI’s exposure to concentrations of credit risk, with a majority of the investments being held in treasury bills. See Note 3, *Short-Term and Long-Term Investments*, for additional information related to the investments held by ATI.

ATI invests in a professionally managed portfolio that contains various securities. Such investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could affect investment balances and the amounts reported in the financial statements.

ATI’s accounts receivable result from its applied research and development contracts, which are primarily with the United States (“U.S.”) government. ATI provides credit to commercial customers in the normal course of business and performs ongoing credit evaluations on certain of its customers’ financial condition, but generally does not require collateral to support such receivables.

Risk Management

ATI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; injuries to employees; and natural disasters. ATI carries commercial insurance for these risks of loss, including employee health and accident insurance. Historically, settled claims resulting from these risks have not exceeded commercial insurance coverage.

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Notes to Consolidated Financial Statements

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ significantly from those estimates.

Operating and Non-operating Activities

Activities related to the performance of contracts are reported as operating items. Other activities, including interest income and gains/losses from investments, contributions to ANSER and interest expense are reported as non-operating activities.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivables, accounts payable, and accrued expenses approximate fair value because of the short-term nature of these instruments. The fair value of investments is determined using quoted market prices. The fair value of the loan payable approximates the carrying value due to the variable rate of the loan. The fair value of the interest rate swap is based on unobservable inputs.

Cash and Cash Equivalents

ATI considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at September 30, 2023, include funds in commercial analyzed checking accounts, insured cash sweep accounts, money market accounts collateralized by bank assets, repurchase agreements, and a custodial account invested in U.S. Treasury Bills held through a trust services arrangement with a financial institution. At times, these balances exceeded the federally insured amounts. Due to timing of receipt of customer payments, as well as payments to subcontractors and suppliers, portions of ATI's bank balances may have been uncollateralized at various times during the years ended September 30, 2023 and 2022.

Restricted Cash and Cash Equivalents and Restricted Investments

At times, ATI's cash and cash equivalents and restricted investments may be subject to restrictions. Restricted cash and cash equivalents and restricted investments include funds received for contract agreements and grants that are held until such time that expenditures related to those contract agreements and grants are incurred. A corresponding unearned revenue liability is recorded for this cash received in advance of expenditures. The cash and cash equivalents balances and the investment balances become unrestricted as the costs underlying the contract agreements and grants are incurred and are expected to become unrestricted within the upcoming year. Certain contracts require that this cash be held in separate bank accounts.

Investments

ATI's short-term investments are comprised of U.S. Treasury Bills and investments, which mature within one year of ATI's year end. ATI's long-term investments include assets whose underlying securities have a stated maturity date, or are expected to be held, greater than one year, as further described in Note 3, *Short-Term and Long-Term Investments*.

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Notes to Consolidated Financial Statements

ATI reports investments at fair value in the consolidated statements of financial position and all changes in fair value as income or expense in the consolidated statements of activities.

Accounts Receivable

Accounts receivable are carried at original invoice amount. The majority of ATI's accounts receivable are comprised of amounts billed on federal contracts and amounts estimated and earned in excess of amounts billed on federal contracts. Such recoverable amounts are billable or will become billable when estimated expenses are incurred. Account balances are considered past due based on contractual terms, and ATI does not accrue interest on the past due balances. Once management determines that the receivables are not recoverable, the amounts are removed from the financial records along with any corresponding reserve balance. Management determined that no allowance for doubtful accounts was considered necessary as of September 30, 2023 and 2022 based on ATI's high concentration of receivables with the U.S. government and the absence of any known collection concerns with commercial accounts. The contract costs billed to the U.S. government are subject to audit by the Defense Contract Audit Agency ("DCAA") as further explained in Note 9, *Commitments and Contingencies*.

Property and Equipment and Land and Land Development

ATI capitalizes furniture, equipment and software with an original cost in excess of \$5,000. Property and equipment are carried at cost, net of accumulated depreciation. Depreciation is expensed using the straight-line method over estimated useful lives, which range from 3 to 5 years.

During 2020, ATI purchased approximately 12.2 acres of land in Summerville, SC in anticipation of future operating needs. Land, including its development, is carried at cost.

ATI records impairment losses on long-lived assets when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. No such impairment loss has been recognized in the accompanying consolidated financial statements for the years ended September 30, 2023 or 2022.

Intangible Assets

Intangible assets are recorded at estimated fair value, upon acquisition. These assets consist of customer relationships, tradenames, and non-compete agreements, which are amortized on a straight-line basis over 5, 15, and 4 years, respectively.

ATI records impairment losses on these intangible assets when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of those assets. No such impairment loss has been recognized in the accompanying consolidated financial statements for the years ended September 30, 2023 or 2022.

Goodwill

Goodwill arising from acquisitions is recognized as an asset at the acquisition date and is measured as the excess of the sum of the consideration transferred less the acquisition-date amounts of the identifiable assets acquired net of the liabilities assumed. Goodwill is not amortized but is reviewed

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Notes to Consolidated Financial Statements

for impairment at September 30 or more frequently if events or changes in circumstances indicate that impairment might exist. ATI performs a qualitative assessment to determine whether it is more likely than not that the fair value of the goodwill is less than its carrying amount. ATI determined, based on the qualitative assessment, that it was not more likely that the fair value of the goodwill was less than its carrying amount at September 30, 2023. As such, no impairment was identified or recorded during the year ended September 30, 2023.

Contingent Consideration Payable

Contingent consideration is recorded as a liability and is the estimate of the fair value of potential future payments due related to acquisitions made by ATI. The estimated fair value is determined based on the present value of future payments and the estimated likelihood that related future performance milestones will be met and these payments will be made. Contingent consideration is remeasured at each reporting date and any changes in the liability are recorded within the consolidated statements of activities.

Unearned Revenue

ATI receives advance payments on various contract agreements and grants. These payments are recorded as unearned revenue and recognized as income during the periods in which the work is performed and the related actual costs are incurred in accordance with ATI's revenue recognition practices and contract terms.

Revenue recognition

ATI's most significant revenues are derived from contracts under which it fulfills the role of consortium management firm for industry consortia consisting of large firms, small companies, and academic and research organizations. In this role, ATI facilitates and manages applied research and development efforts among the consortia members and with the federal government in specified technology areas. The objectives of the consortia include introduction and implementation of disruptive and innovative technologies which enhance current capabilities and leverage resources of the participants. ATI provides services pursuant to contracts and jointly manages work performed by participants through subcontracts and similar agreements. Under these agreements ATI may receive payment for services from the consortia and from the federal government.

ATI accounts for revenue recognition under Accounting Standards Codification ("ASC") 606 ("ASC 606"). ASC 606 includes a framework for analyzing potential revenue transactions by identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) ATI satisfies a performance obligation. ATI's performance obligations associated with its management of the applied research and development efforts include overall management of the research project program during the solicitation, review and selection process; overall management of the research project program during the execution of the project award; and the individual research project agreement awards.

Contracts with the government, as well as subcontracts under government awards, include both cost type and fixed price agreements, and may be under Other Transaction Agreements ("OTA"), Indefinite Delivery Indefinite Quantity Contracts ("IDIQ") or another contracting mechanism that provides high level terms and conditions that are exercised with individual documents such as Purchase Orders ("PO"), Delivery Orders ("DO"), Task Orders ("TO"), etc. which are issued to

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Notes to Consolidated Financial Statements

further define the enforceable rights and obligations of each party. Contracts with commercial customers are typically either cost plus fixed fee or fixed price.

ATI satisfies its performance obligations and thus recognizes revenue under cost type agreements as costs are incurred during the period, plus fees earned where applicable, in accordance with contract terms.

Under cost-type OTAs, the government funds ATI's costs in the execution of its responsibilities for research operations through a consortium management rate which is calculated as a percentage of funding for research project awards, exclusive of anticipated non-federal contribution. The consortium management rate is a funding mechanism under the OTAs, and as noted above, revenue is recognized based on cost plus fixed fee, in accordance with the terms of the OTAs.

Revenue from fixed-price contracts is generally recognized using an input method based on costs incurred to date as compared to expected total costs.

Under the fixed price OTA's, ATI is compensated for services performed using a Fixed Management Rate ("FMR") applied to all funding obligated to project level performer agreements. ATI recognizes a portion of the total FMR revenue at the time of the research project award and the remaining portion is recognized ratably as costs are incurred over the life of the research project or at completion or termination of the research project agreement. Each research project selected and awarded by the government forms the basis of a distinct performance obligation. The government is responsible for technical oversight of the projects and approving performer costs as progress is made or milestone deliverables are completed. Costs are incurred and revenue is recognized as government acceptance is received.

The following table disaggregates ATI's revenue based on the timing of satisfaction of performance obligations (in thousands):

<i>Years ended September 30,</i>	2023	2022
Revenue from goods or services transferred over time	\$ 4,240,040	\$ 5,119,591
Revenue from goods or services transferred at a point in time	18,747	9,427
Total Operating Revenues	\$ 4,258,787	\$ 5,129,018

Payment under the OTAs is typically received prior to the revenues being recorded via cash advances from the government. Payment under other agreement types is typically due within 30 days of invoice submission date.

Accounts receivable and unearned revenue totaled \$78.8 million and \$675.9 million, respectively, at September 30, 2021.

Certain of ATI's contracts are considered to be collaborative arrangements in accordance with ASC 808, *Collaborative Arrangements* ("ASC 808"). Payments received by ATI from other participants in the collaborative arrangements are accounted for in accordance with ASC 808 which states, "Payments between participants pursuant to a collaborative arrangement that are within the scope of other authoritative accounting literature on income statement classification should be accounted for using relevant provisions of that literature." Because the counterparty is a customer, current ATI contracts pursuant to collaborative arrangements are accounted for as exchange transactions

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Notes to Consolidated Financial Statements

and gross amounts are recorded for both revenue and related expenses in accordance with ASC 606.

Income Taxes

ATI has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under state legislation. ATI is subject to income tax on unrelated business income under Section 511 of the Internal Revenue Code. ATI had no unrelated business income subject to income taxes for the years ended September 30, 2023 and 2022.

Methods Used for Allocation of Expenses

Expenses are allocated to functional categories based on type of costs incurred.

Net Assets Classifications

ATI's net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of ATI and changes therein are classified and reported as follows:

- Net assets without donor restrictions are available for use in general operations and result from revenues that were not restricted by donors or revenues for which the donor-imposed restrictions have expired. ATI's net assets without donor restrictions are not designated by the Board of Directors.
- Net assets with donor restrictions result from contributions and other inflows of assets (such as investment income and gains) whose use by ATI is limited by the donor-imposed stipulations that require ATI to use or expend the donated assets as specified and are satisfied either by the passage of time or by actions of ATI. This category also results from contributions and other inflows of assets whose use by ATI is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Board of Directors pursuant to those stipulations. However, donors may release the restrictions on net assets restricted in perpetuity.

At September 30, 2023 and 2022, ATI's net assets with donor restrictions were \$3 million and \$0 respectively. All net assets with donor restrictions relate to contributions that will be released from restriction upon the incurrence of underlying expenses related to one of ATI's contracts.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02" or "Topic 842"). Under the new guidance, lessees are required to recognize right-of-use assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. ATI adopted ASU 2016-02 for the annual period ending September 30, 2023 using the modified retrospective approach. Under this transition provision, results for the year ended September 30, 2023 are presented under Topic 842 while prior period amounts continue to be reported and disclosed in accordance with ATI's historical accounting treatment under ASC Topic 840, *Leases*.

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

ATI elected the “package of practical expedients” permitted under the transition guidance, which among other things, does not require reassessment of whether contracts entered into prior to adoption of ASC 842 are or contain leases, and allows carryforward of the historical lease classification for existing leases. ATI measured its right-of-use (“ROU”) assets and lease liabilities using the remaining portion of the lease term at adoption.

ATI made an accounting policy election not to recognize on the statement of financial position ROU assets and lease liabilities for leases with a term of twelve months or less. For all other leases, ATI recognizes ROU assets and lease liabilities based on the present value of lease payments over the lease term at the commencement date of the lease. ATI elected the practical expedient and uses the risk-free interest rate to determine the present value of lease payments as ATI is not able to determine the rate implicit in the lease.

Upon adoption, ATI recorded ROU assets and operating lease liabilities of approximately \$6.2 million each related to ATI’s operating leases.

2. Liquidity and Availability of Financial Resources

Financial assets and liquidity resources available within one year for general expenditures, liabilities and other obligations as they come due are as follows (in thousands) at:

<i>September 30,</i>	2023	2022
Cash and cash equivalents	\$ 698,615	\$ 732,589
Short-term investments	953,453	644,704
Accounts receivable	89,057	80,259
Total financial assets and liquidity resources available within one year	\$ 1,741,125	\$ 1,457,552

To manage liquidity, ATI structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. ATI also invests cash in excess of daily requirements in cash equivalents and short-term investments that earn interest income. Finally, ATI has access to a \$10.0 million line of credit as further discussed in Note 7, *Line of Credit, Loan Payable and Interest Rate Swap*. Cash and cash equivalents include restricted cash of \$308.9 million and short-term investments include restricted investments of \$662.9 million, all of which are expected to be available for use in the upcoming year.

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

3. Short-Term and Long-Term Investments

Short-term and long-term investments consist of the following (in thousands) at:

<i>September 30, 2023</i>	Cost	Unrealized Gain (Loss)	Fair Market Value
Treasury bills	\$ 937,791	\$ 8,617	\$ 946,408
Corporate equities	31,068	(1,075)	29,993
Fixed income securities	19,399	(362)	19,037
Money market funds	8,367	-	8,367
Short-Term and Long-Term Investments	\$ 996,625	\$ 7,180	\$ 1,003,805

<i>September 30, 2022</i>	Cost	Unrealized Gain (Loss)	Fair Market Value
Treasury bills	\$ 620,839	\$ 763	\$ 621,602
Corporate equities	17,137	498	17,635
Fixed income securities	7,872	(550)	7,322
Money market funds	740	-	740
Hedge funds	2,115	127	2,242
Short-Term and Long-Term Investments	\$ 648,703	\$ 838	\$ 649,541

4. Accounts Receivable

ATI has various contracts and grants with commercial enterprises and the U.S. government in varying stages of completion, the majority of which are with the Department of Defense.

Accounts receivable from U.S. government agreements and commercial contracts consisted of the following (in thousands) at:

<i>September 30,</i>	2023	2022
Amounts billed:		
Government agreements	\$ 29,188	\$ 40,639
Commercial contracts	4,347	323
Recoverable direct and allocable costs and fees not yet billed:		
Government agreements	54,031	38,555
Commercial contracts	1,491	742
Accounts Receivable	\$ 89,057	\$ 80,259

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

5. Operating Leases

ATI leases certain office equipment and office space under operating leases. ATI determines whether a contract is a lease at inception. Identified leases are measured, classified, and recognized at lease commencement. ATI categorizes leases with contractual terms longer than twelve months as either operating or finance. ATI's leases generally have terms that range from one to five years, with certain leases inclusive of renewal options if they are considered to be reasonably assured at lease commencement. No renewal options were currently assumed as renewal was not deemed to be reasonably assured.

Right-of-use assets and lease liabilities are included as separate line items on the consolidated balances sheets. Right-of-use assets represent ATI's right to use an underlying asset for the lease term and lease liabilities represent ATI's obligation to make lease payments arising from the lease.

Operating lease right-of-use assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the incremental borrowing rate at the commencement date in determining the present value of future payments. The weighted average incremental borrowing rate used was 4.8% for the year ended September 30, 2023. The weighted average remaining lease term as of September 30, 2023 was approximately 2.9 years.

Rental expense under operating leases amounted to approximately \$2.2 million and \$2.1 million for the years ended September 30, 2023 and 2022, respectively. Cash paid for leases totaled approximately \$2.3 million for the year ended September 30, 2023.

Future minimum rental payments are as follows at September 30, 2023 (in thousands):

<i>Years ending September 30,</i>	Amount
2024	\$ 2,173
2025	2,199
2026	1,644
2027	107
2028	112
Total minimum lease payments	6,235
Less: Operating lease liabilities, current	(2,118)
Less: Imputed interest	(425)
Total operating lease liabilities, net of current portion	\$ 3,692

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

6. Employee Benefit Plans

ATI has established a 403(b) retirement plan. For eligible employees, ATI provides a matching contribution equal to 1.4 times the participating employee's contribution up to a maximum of 5% of the employee's bi-weekly pay. ATI may amend or terminate this plan at any time. ATI's matching contributions for the years ended September 30, 2023 and 2022 were approximately \$2.1 million and \$1.9 million, respectively, and are included in "Salaries, wages and other related costs" and "Directly identifiable contract costs" in the accompanying consolidated statements of activities.

7. Line of Credit, Loan Payable, and Interest Rate Swap

ATI has an unsecured revolving line of credit agreement with a bank which expires on March 1, 2028. As of September 30, 2023 the line of credit allowed ATI to borrow up to \$10 million, with the potential to increase to \$20 million at a future date. There were no amounts outstanding as of September 30, 2023 or 2022. Borrowings may be incurred to satisfy financial obligations related to business needs or contract activity. The interest rate as of September 30, 2023 was the Daily Simple Secured Overnight Financing Rate ("SOFR") plus 1.1%. Interest expense for the years ended September 30, 2023 and 2022 was approximately \$0 and \$4,000, respectively, on this line of credit.

ATI entered into a loan agreement to borrow \$66 million on February 28, 2023. Principal payments under the financing arrangement will be payable quarterly over ten years starting in October 2023, with the balance due at maturity on March 1, 2033. The loan is secured by a lien on all assets of ATI other than certain real property and donor restricted and federal contract funds. These borrowings accrue interest, which is payable monthly, at an interest rate of SOFR plus 0.95%. At September 30, 2023, principal payments over the next five years and thereafter are as follows (in thousands):

<i>Year ending September 30,</i>	<i>Amount</i>
2024	\$ 3,300
2025	3,300
2026	3,300
2027	3,300
2028	3,300
Thereafter	48,675
Total	\$ 65,175

The loan includes certain covenants related to liquidity and debt service coverage, with which ATI was in compliance as of September 30, 2023.

In conjunction with entering into the financing agreement, ATI entered into a five-year swap agreement whereby ATI will pay a fixed interest rate of 4.134% in exchange for the variable portion of the rate on \$33 million of the principal of the borrowings under the financing arrangement. As of September 30, 2023, the fair value of the swap was approximately \$1.3 million and is included within fair value of interest rate swap on the accompanying consolidated statements of financial position. ATI recognizes the fair value of the swap agreement based on the present value of the future interest payments on the loan. ATI uses an estimated discount rate to determine the present

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

value of future interest payments. Any changes in the fair value of the swap are included in change in fair value of interest rate swap in the consolidated statements of activities.

8. Related Party Transactions

On February 28, 2023, ATI and ANSER entered into a change of control agreement in which ATI agreed to provide consideration to ANSER in the amount of \$65 million and ANSER agreed to no longer appoint or approve ATI directors and agreed to relinquish control over governance of ATI. ATI and ANSER closed the change of control transaction on February 28, 2023. At the closing, ANSER overlapping directors resigned their positions on the ATI board and the non-overlapping directors provide governance under new organizational documents that have been approved by both boards of directors.

Prior to executing the change of control agreement, ATI was involved in various transactions with its parent company, ANSER. These transactions included a residual home office allocation in accordance with applicable regulations, transfers of excess net working capital as agreed upon by the respective boards and expenses related to services performed or shared. For the years ended September 30, 2023 and 2022, home office expenses were approximately \$283,000 and \$738,000, respectively, and are included in "Support services provided by Analytic Services Inc." within the accompanying consolidated statements of activities. Excess net working capital transfers were approximately \$719,000 and \$7 million, respectively, during the years ended September 30, 2023 and 2022 and are included in "Contribution to Analytic Services Inc." within the accompanying consolidated statements of activities. Miscellaneous other expenses were \$0 and \$18,000, respectively, during the years ended September 30, 2023 and 2022 and are included in "Directly identifiable contract costs", "Professional and contract services", and "General and administrative" in the accompanying consolidated statements of activities.

As of September 30, 2022, \$1.9 million was payable to ANSER. This amount included \$1.7 million in excess net working capital and \$168,000 in home office expenses and is included in "Due to Analytic Services Inc." in the accompanying consolidated statements of financial position. No amounts were payable to ANSER as of September 30, 2023.

In September of 2020, with the approval of the ATI Board of Directors and the Executive Committee of the ANSER Board of Directors, ATI borrowed \$5.2 million from ANSER for the purchase of approximately 12.2 acres of land in Summerville, SC in anticipation of future operating needs. Funds for the loan were drawn against ANSER's line of credit and secured by ATI's non-current investments. ANSER billed ATI for actual interest incurred. The loan accrued interest at the 1-month LIBOR rate plus 1.0%. As of September 2022, \$3.5 million in principal remained outstanding. In January 2023, the loan balance was paid in full by ATI. For the years ended September 30, 2023 and 2022, interest expense related to this borrowing totaled approximately \$37,000 and \$27,000, respectively.

During the year ended September 30, 2020, ATI invested \$14.3 million of surplus excess net working capital with ANSER's externally managed investment portfolio. In December of 2020 and in July of 2021, ATI invested an additional \$6.3 million and \$15.0 million, respectively, with ANSER's externally managed investment portfolio. In November 2021, ATI liquidated \$4.4 million of its investments in ANSER's externally managed investment portfolio. At separation, on February 28, 2023, ATI liquidated the remaining portion of its investment portfolio at a value of \$30.5 million. As of September 30, 2022, \$4.8 million of these investments were considered to be collateral against the debt due to ANSER for the land purchase and was included in "Long-term investments" in the accompanying consolidated statements of financial position.

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

9. Commitments and Contingencies

DCAA Audits

Costs billed by ATI to the U.S. government pursuant to Department of Defense contracts are subject to audit by the DCAA. ATI's costs billed to the U.S. government through September 30, 2022 have been settled through indirect rate agreements with the Defense Contract Management Agency ("DCMA") or DCAA. Management does not believe any potential adjustment to subsequent periods would have a material effect on the accompanying consolidated financial statements. Accordingly, no provision for such adjustments has been made.

10. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements and requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices for identical assets or liabilities to which an entity has access at the measurement date.

Level 2: Inputs and information other than quoted market indices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;
- Observable inputs other than quoted prices for the asset or liability; and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

In determining the appropriate levels, ATI performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

The table below presents the balances of short-term and long-term investments measured at fair value on a recurring basis by level within the hierarchy at September 30, 2023 (in thousands):

	Level 1	Level 2	Level 3	Net Asset Value ("NAV")	Total
Assets at fair value:					
Treasury bills	\$ 946,408	\$ -	\$ -	\$ -	\$ 946,408
Corporate Equities	29,993	-	-	-	29,993
Fixed Income	-	19,037	-	-	19,037
Money market funds	8,367	-	-	-	8,367
	\$ 984,768	\$ 19,037	\$ -	\$ -	\$ 1,003,805

The table below presents the balances of short-term and long-term investments measured at fair value on a recurring basis by level within the hierarchy at September 30, 2022 (in thousands):

	Level 1	Level 2	Level 3	Net Asset Value ("NAV")	Total
Assets at fair value:					
Treasury bills	\$ 621,602	\$ -	\$ -	\$ -	\$ 621,602
Corporate Equities	17,635	-	-	-	17,635
Fixed Income	-	7,322	-	-	7,322
Money market funds	740	-	-	-	740
Hedge funds	-	-	-	2,242	2,242
	\$ 639,977	\$ 7,322	\$ -	\$ 2,242	\$ 649,541

ATI's contingent consideration payable is recorded at fair value based on Level 3 inputs. The change in ATI's contingent consideration payable during the years ended September 30, 2023 and 2022 is as follows (in thousands):

	Amount
Balance at October 1, 2021	\$ -
Additions related to acquisitions	2,987
Change in fair value of contingent consideration	1,207
Balance at September 30, 2022	4,194
Change in fair value of contingent consideration	(377)
Payments of contingent consideration	(1,800)
Balance at September 30, 2023	\$ 2,017

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

ATI's interest rate swap is recorded at fair value based on Level 3 inputs. The change in fair value in the current period was approximately \$1.3 million.

11. Acquisition

On December 6, 2021 ATI, through its subsidiary TechConnect LLC, a South Carolina limited liability company ("TC"), acquired a portion of a business from NSTI LLC, a Delaware limited liability company ("NSTI"). NSTI, dba TechConnect, was engaged in the business of connecting emerging technologies, identifying and recruiting non-traditional contractors, technology scouting, innovation challenges, technology sprints, licensing and technology transfer, event management for technology conferences, subscription services, and creating and maintaining catalogs, databases and lists of established and emerging technology companies (including in the space, defense, electronics, biotech, medical, energy and sustainability, advanced manufacturing, and aerospace industries). ATI completed the acquisition in order to acquire various synergies to further the services provided by ATI.

The acquisition was completed pursuant to an Asset Purchase Agreement dated December 6, 2021 by and among TC, NSTI and its members, and ATI. Under the agreement TC acquired substantially all the assets of NSTI, other than certain excluded assets and liabilities, in exchange for approximately \$4.4 million in cash.

The estimated fair value of the purchase consideration was as follows (in thousands):

Cash consideration	\$	4,437
Contingent consideration		2,987
Total estimated purchase consideration	\$	7,424

The total estimated purchase consideration was allocated to the estimated fair values of the assets acquired as follows (in thousands):

Intangible assets	\$	4,100
Accounts receivable		278
Other receivables and prepaid expenses		59
Total identifiable net assets acquired		4,437
Goodwill		2,987
Total estimated purchase consideration	\$	7,424

The fair value estimate of intangible assets includes non-compete agreements valued at approximately \$292,000, the TechConnect tradename valued at \$1.2 million, and customer relationships valued at \$2.6 million.

Fair value of the non-compete agreements was calculated using a with and without method income approach based upon an (1) assumed discount rate of 20%, (2) an estimate of potential lost revenues in the absence of non-compete agreements, and (3) an additional 27% probability weighting to account for the probability that competition would occur.

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

Fair value of the TechConnect tradename was calculated using a relief from royalty method approach and was based upon (1) an assumed discount rate of 20%, (2) a long-term growth rate between 3% and 15% over 15 years, and (3) a royalty rate on gross profit of 5.5%.

Fair value of the customer relationships was based upon an application of Network Value Theory, using NSTI's company and contact information and market comparisons.

The purchase agreement includes a contingent consideration arrangement that may be payable in the future based upon (1) increases in future enrollment of qualifying nontraditional contractors as members of consortia managed by ATI, (2) one new OTA, or new Consortium Management Agreement, awarded to ATI, with a ceiling of \$100 million or more, and (3) 15% future growth of TC core business gross revenue and achievement of 15% EBIT over a four-year period. Amounts are payable annually after the close of each calculation period (the twelve-month periods ending December 31, 2022, 2023, 2024, and 2025). The range of undiscounted amounts ATI could pay under the contingent consideration agreement is between \$0 and \$5.55 million. The fair value of the contingent consideration recognized on the acquisition date of \$3.0 million was estimated by applying a 20% discount to the sum of the probability weighted present values of each earnout amount over the four-year calculation period.

12. Intangible Assets

The following table contains information regarding ATI's intangible assets as of September 30, 2023 (in thousands):

	Acquired Fair Market Value	Accumulated Amortization	Balance
Non-compete agreements	\$ 292	\$ 134	\$ 158
Tradenames	1,208	148	1,060
Customer relationships	2,600	953	1,647
Intangible Assets	\$ 4,100	\$ 1,235	\$ 2,865

The following table contains information regarding ATI's intangible assets as of September 30, 2022 (in thousands):

	Acquired Fair Market Value	Accumulated Amortization	Balance
Non-compete agreements	\$ 292	\$ 61	\$ 231
Tradenames	1,208	67	1,141
Customer relationships	2,600	433	2,167
Intangible Assets	\$ 4,100	\$ 561	\$ 3,539

Amortization expense was approximately \$674,000 and \$561,000 for the years ended September 30, 2023 and 2022, respectively, and is included in depreciation and amortization within the accompanying consolidated statements of activities. The weighted average remaining amortization

Advanced Technology International and Subsidiary

Notes to Consolidated Financial Statements

period as of September 30, 2023 was 2.2 years, 13.2 years and 3.2 years for the non-compete agreements, tradenames, and customer relationships, respectively.

The following table contains estimated aggregate amortization expense for the years ending September 30 (in thousands):

<i>Year ending September 30,</i>	<i>Amount</i>
2024	\$ 674
2025	674
2026	613
2027	167
2028	81
Thereafter	656
Total	\$ 2,865

13. Subsequent Events

ATI has evaluated subsequent events from September 30, 2023 through February 23, 2024 (the date of the audit report and the date the accompanying financial statements were ready to be issued). No material recognizable subsequent events were noted.

**Reports and Schedules Required by *Government Auditing Standards*
and the Uniform Guidance**



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*

The Board of Directors
Advanced Technology International

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 consolidated financial statements of Advanced Technology International and its subsidiary (collectively, "ATI"), which comprise ATI's consolidated statement of financial position as of September 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 23, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered ATI'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of ATI's internal control. Accordingly, we do not express an opinion on the effectiveness of ATI'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 consolidated 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 ATI'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 consolidated 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 ATI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ATI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

February 23, 2024



Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Directors
Advanced Technology International

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Advanced Technology International and Subsidiary's ("ATI") 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 ATI's major federal programs for the year ended September 30, 2023. ATI's 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, ATI complied, in all material respects, with the 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 30, 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 (GAAS); 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 ATI 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 ATI'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 ATI'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 ATI'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 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 ATI's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with 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 ATI'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 ATI's 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 ATI'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 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.

BDO USA, P.C.

February 23, 2024

Advanced Technology International and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Program Title	Agreement Type	ATI Contract Number	Federal Assistance Listing Number	Pass-Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Research and Development - Cluster Grants and Cooperative Agreements:							
Department of Defense							
Department Of Defense - Air Force	MAI III	2	FA8650-17-2-5266	12.800		\$ 9,225,111	\$ 10,273,666
Total Department of Defense						9,225,111	10,273,666
Total Grants and Cooperative Agreement Expenditures						\$ 9,225,111	\$ 10,273,666
Contracts and Other Transactions:							
Department of Defense							
Defense Logistics Agency	Innovative Castings IDIQ	4	SP4701-17-D-1134	12.RD		-	3,260,979
	ITC Ceramic Coatings	1	SP4701-19-C-0058	12.RD		-	232,110
	Innovative Forging Technologies	1	SP4701-20-D-9090	12.RD		-	1,192,972
	Emergent Metal Castings	1	SP4701-23-D-5001	12.RD		-	133,985
Pass-Through Program from:							
LMI Government Consulting	LMI Connecting Suppliers	1	SPA4701-20-D-9028	12.RD	11611	-	12,326
	LMI Tech Data	1	SPA4701-20-D-9028	12.RD	PO23-00101	-	4,501
Office of Naval Research							
	CNST 2	1	N00014-09-D-0584	12.RD		-	(315)
	CMTC 3	1	N00014-11-D-0504	12.RD		-	222,372
	NSAM	1	N00014-14-D-0377	12.RD		-	2,823,764
	Navy Metalwork Center	1	N00014-16-D-4001	12.RD		-	7,134,527
	CMTC 4	1	N00014-17-D-4003	12.RD		-	11,418,872
	NSAM2	1	N00014-19-D-7001	12.RD		-	8,440,782
	CMTC 5	1	N00014-21-D-7001	12.RD		-	3,601,208
	Navy Metalwork Center 2	1	N00014-22-D-7004	12.RD		-	2,809,918
Naval Sea Systems Command							
	NSRP 3	3	N00024-98-9-2310	12.RD		-	283,008
	NSRP 4	3	N00024-18-3-2231	12.RD		-	7,488,263
	DAT IDIQ	1	N00174-18-D-0009	12.RD		-	4,227,032
Pass-Through Program from:							
American Systems	DAT ASC	1	N00178-19-D-7111	12.RD	S22049	-	1,876,667

Advanced Technology International and Subsidiary
Schedule of Expenditures of Federal Awards (continued)
Year Ended September 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Program Title	Agreement Type	ATI Contract Number	Federal Assistance Listing Number	Pass-Through Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Army	DOTC	3	W15QKN-09-9-1001	12.RD		-	42,655
	DOTC2	3	W15QKN-12-9-0001	12.RD		-	5,342
	DOTC14	3	W15QKN-14-9-1001	12.RD		-	46,346,689
	MSC OTA	3	W15QKN-16-9-1002	12.RD		-	226,590,768
	COVID-19 MSC OTA	3	W15QKN-16-9-1002	12.RD		-	588,643,722
	NSC OTA	3	W15QKN-15-9-1004	12.RD		-	126,217,506
	VLC OTA Task Orders	3	W15QKN-16-9-1001	12.RD		-	235,576
	CWMD OTA	3	W15QKN-18-9-1004	12.RD		-	141,259,361
	DOTC18	3	W15QKN-18-9-1008	12.RD		-	767,326,366
	AMTC OTA	3	W9124P-19-9-0001	12.RD		-	969,709,436
	Spectrum Forward	3	W15QKN-21-9-5599	12.RD		-	35,690,088
	IPA Covid Support	4	IPA	12.RD		-	273,913
	(CUI) ASEC	3	XXXXXX-XX-X-0001	12.RD		-	278,162,210
Pass-Through Program from:							
Medical Technology Enterprise Consortium	MTEC Phase 2	3	W81XWH-15-9-0001	12.RD	10184	-	3,909,211
Medical Technology Enterprise Consortium	MTEC Research Proj Awards	3	W81XWH-15-9-0001	12.RD	10186	-	151,271,103
Medical Technology Enterprise Consortium	COVID-19 MTEC Research Proj Awards	3	W81XWH-15-9-0001	12.RD	10186	-	25,628,706
Southeastern New England Defense Industry Alliance	SENEDIA NIIS OTA	3	W52P1J2093034	12.RD	2020-001	-	18,338,793
Air Force	Manuf Prcs Driven Design	1	FA8650-15-C-5704	12.RD		-	(15,776)
Defense Advanced Research Projects Agency ("DARPA")	Confers	1	HR001118C0037	12.RD		-	72,774
Total Department of Defense						-	3,434,871,414
Department of Homeland Security	BSTC OTA	3	HSHQDC-15-9-00004	97.RD		-	3,900,956
Total Department of Homeland Security						-	3,900,956
Department of Health and Human Services	CX-Hub OTA	3	AY2AX000008	93.384		-	28,698
Total Department of Health and Human Services						-	28,698
Total Contracts and Other Transaction Expenditures						\$ -	\$ 3,438,801,068
Total All Federal Expenditures - Research and Development Cluster						\$ 9,225,111	\$ 3,449,074,734

See accompanying notes to schedule of expenditures of federal awards.

Agreement Type Legend:

1. Cost (including Time and Materials Contracts)
2. Grants and Cooperative Agreements
3. Other Transactions
4. Cost Reimbursement / Cost Share

Advanced Technology International and Subsidiary

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Advanced Technology International and Subsidiary (“ATI”) under programs of the federal government for the year ended September 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of ATI, it is not intended to and does not present the financial position, changes in net assets, or cash flows of ATI.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting and are included within contract revenues in the consolidated statement of activities. 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. ATI has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Loans Outstanding

ATI did not have any federal loan balances outstanding as of September 30, 2023.

4. Contingencies

ATI’s federal programs are subject to financial and compliance audits by grantor agencies. Instances of material noncompliance may result in disallowed expenditures and affect ATI’s continued participation in specific programs. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although ATI expects such amounts, if any, to be immaterial.

Advanced Technology International and Subsidiary

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-----------------------|----------------------------|
| • Material weakness(es) identified | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal programs:

- | | | |
|---|-----------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditor's report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Identification of major federal programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

Various

Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$10,347,224

Auditee qualified as low-risk auditee?

 X Yes No

Advanced Technology International and Subsidiary

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Section II - Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, related to the financial statements for which *Government Auditing Standards* requires reporting.

No financial statement findings were identified as part of our audit procedures.

Advanced Technology International and Subsidiary

Schedule of Findings and Questioned Costs Year Ended September 30, 2023

Section III - Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs and significant instances of abuse).

No federal award findings or questioned costs were identified as a result of our audit procedures.