MRIGlobal and Related Entities

Independent Auditor’s Report, Combined Financial Statements, and Supplementary Information (Including Reports Required Under Uniform Guidance)

September 30, 2024 and 2023

Contents

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Independent Auditor's Report

Board of Directors
MRIGlobal
Kansas City, Missouri

Report on the Audit of the Combined Financial Statements

Opinion

We have audited the combined financial statements of MRIGlobal and Related Entities (MRIGlobal Group), which comprise the combined balance sheets as of September 30, 2024 and 2023, and the related combined statements of income, changes in equity and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the combined financial position of MRIGlobal Group, as of September 30, 2024 and 2023, and the changes in their equity 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 audits 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Combined Financial Statements" section of our report. We are required to be independent of MRIGlobal Group, 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 Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 MRIGlobal Group'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 combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MRIGlobal Group'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 audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information, including the combining schedules and 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* (Uniform Guidance), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the combined 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 January 27, 2025, on our consideration of MRIGlobal Group'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 MRIGlobal Group'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 MRIGlobal Group's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Kansas City, Missouri
January 27, 2025

MRIGlobal and Related Entities
Combined Balance Sheets
September 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents	$ 53,662	$ 44,741
Accounts receivable, net	12,836	12,318
Contracts in progress - unbilled costs and fees	220,235	171,203
Contributions receivable	130	1,594
Materials and supplies, at average cost	1,015	927
Prepaid expenses	16,445	14,350
Restricted assets	3,402	2,914
Total current assets	307,725	248,047
Property, Plant and Equipment, At Cost		
Land	2,349	2,349
Buildings	71,332	70,500
Equipment and fixtures	40,375	39,438
Work in progress	1,100	2,374
	115,156	114,661
Less accumulated depreciation	68,897	66,989
Net property, plant and equipment	46,259	47,672
Restricted Cash	1,490	3,548
Contributions Receivable	-	137
Investments	10,704	8,973
Other Assets	5,835	6,747
Right-of-Use Assets - Operating Leases	5,045	6,061
Total assets	$ 377,058	$ 321,185

	2024	2023
LIABILITIES AND EQUITY		
Current Liabilities		
Current maturities of long-term debt	$ 2,542	$ 3,304
Accrued subcontract costs	110,409	67,444
Accounts payable	19,097	13,189
Accrued expenses	105,853	99,948
Contracts in progress - billings in excess of cost and fees	1,021	3,202
Current portion of operating lease liabilities	1,090	1,012
Pension obligation	4,003	-
Other current liabilities	3,402	2,914
Total current liabilities	247,417	191,013
Pension Obligation	-	5,570
Long-term Debt	7,148	9,681
Other Long-term Liabilities	5,353	5,030
Operating Lease Liabilities	3,955	5,048
Total liabilities	263,873	216,342
Equity		
Without donor restrictions	111,563	99,563
With donor restrictions	1,622	5,280
Total equity	113,185	104,843
Total liabilities and equity	$ 377,058	$ 321,185

MRIGlobal and Related Entities
Combined Statements of Income
Years Ended September 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Without Donor Restrictions		
Revenue from operations	$ 1,125,732	$ 902,318
Direct costs	1,106,163	882,306
Excess of revenue over direct costs	19,569	20,012
Operating expense	9,787	9,343
Operating income	9,782	10,669
Other income (deductions)		
Contributions	69	1,755
Release from restrictions	3,601	2,035
Investment return, net	3,835	2,005
Interest expense	(224)	(272)
Community and charitable support	(123)	(158)
Other, net	(1,334)	637
Total other income (deductions), net	5,824	6,002
Net income without donor restrictions	15,606	16,671
With Donor Restrictions		
Contributions	-	133
Bad debt loss	(57)	-
Release from restrictions	(3,601)	(2,035)
Net loss with donor restrictions	(3,658)	(1,902)
Net income	$ 11,948	$ 14,769

MRIGlobal and Related Entities
Combined Statements of Changes in Equity
Years Ended September 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Without Donor Restrictions		
Net income	$ 15,606	$ 16,671
Pension-related changes other than net periodic pension gains (losses)	(771)	2,674
Member distributions	(2,835)	(2,900)
Increase in equity without donor restrictions	12,000	16,445
With Donor Restrictions		
Net loss	(3,658)	(1,902)
Change in Equity	8,342	14,543
Equity, Beginning of Year	104,843	90,300
Equity, End of Year	$ 113,185	$ 104,843

MRIGlobal and Related Entities
Combined Statements of Cash Flows
Years Ended September 30, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Operating Activities		
Change in equity	$ 8,342	$ 14,543
Items not requiring (providing) operating cash		
Depreciation and amortization	5,142	4,735
Noncash operating lease expense	1,016	939
(Gains) losses on disposal of property and equipment	864	(4)
Net realized and unrealized gains on investments	(1,478)	(586)
Contributions received restricted for acquisition of long-lived assets	-	(121)
Member distributions	2,835	2,900
Pension-related changes other than net periodic pension losses (gains)	771	(2,674)
Changes in		
Accounts receivable	(518)	533
Contracts in progress - unbilled costs and fees	(49,032)	(28,463)
Contributions receivable	59	(12)
Other assets	(1,299)	(1,631)
Accrued subcontractor costs	42,965	15,200
Accounts payable	6,290	76
Accrued expenses	5,905	10,394
Contracts in progress - billings in excess of costs and fees	(2,181)	(396)
Accrued pension liability	(2,338)	(2,045)
Operating lease liabilities	(1,015)	(940)
Other liabilities	811	604
Net cash provided by operating activities	17,139	13,052
Investing Activities		
Purchase of property and equipment	(4,994)	(5,042)
Proceeds from disposition of property and equipment	29	11
Purchase of investments	(2,793)	(2,828)
Proceeds from disposition of investments	2,540	2,616
Net cash used in investing activities	(5,218)	(5,243)
Financing Activities		
Principal payments on long-term debt	(3,305)	(3,250)
Proceeds from contributions restricted for acquisition of long-lived assets	1,542	168
Member distributions	(2,835)	(2,900)
Net cash used in financing activities	(4,598)	(5,982)

(Dollars in Thousands)

	2024	2023
Change in Cash and Cash Equivalents, Restricted Cash and Restricted Cash held in Restricted Assets	$ 7,323	$ 1,827
Cash and Cash Equivalents, Restricted Cash and Restricted Cash held in Restricted Assets, Beginning of Year	50,933	49,106
Cash and Cash Equivalents, Restricted Cash and Restricted Cash held in Restricted Assets, End of Year	$ 58,256	$ 50,933
Reconciliation of Cash and Cash Equivalents, Restricted Cash and Restricted Cash held in Restricted Assets to the Combined Balance Sheets		
Cash and cash equivalents	$ 53,662	$ 44,741
Restricted cash	1,490	3,548
Cash included in restricted assets	3,104	2,644
	$ 58,256	$ 50,933
Supplemental Cash Flows Information		
Cash paid for interest	$ 219	$ 263
Property and equipment purchases in accounts payable	271	653
ROU assets obtained in exchange for new finance lease liabilities	-	87

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

MRIGlobal, a not-for-profit research and development organization, delivers global solutions in national security and defense, energy and environment, life and animal sciences, agriculture and food safety, and transportation. The organization performs scientific research, advanced engineering, and program integration and management for clients in government, industry and academia. Established in 1944 as Midwest Research Institute, MRIGlobal is based in Kansas City, Missouri, and operates in four states and Washington, D.C.

Basis of Presentation

The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The combined financial statements include the accounts of MRIGlobal and the accounts of Alliance for Sustainable Energy, LLC (Alliance), a not-for-profit organization, (collectively referred to as MRIGlobal Group). All significant intercompany balances and transactions have been eliminated.

MRIGlobal partnered with Battelle Memorial Institute (Battelle) to form Alliance to manage and operate the National Renewable Energy Laboratory (NREL) under a contract with the U.S. Department of Energy (DOE). Under the terms of the Operating Agreement of Alliance, MRIGlobal and Battelle are 50/50 owners of Alliance and each holds a 50% interest in the voting rights of Alliance’s Board of Directors.

MRIGlobal does not hold a controlling interest in Alliance and, as such, does not include Alliance in its consolidated accounts. However, because certain members of MRIGlobal’s management and employees serve in extensive and active roles in the operations and governance of Alliance, MRIGlobal and Alliance are under common management. Therefore, MRIGlobal has presented Alliance’s financial position, results of operations, changes in equity and cash flows within the accompanying combined financial statements.

Use of Estimates

The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in equity during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

MRIGlobal Group considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At September 30, 2024 and 2023, cash equivalents consisted primarily of money market accounts with brokers.

Restricted Cash

Restricted cash relates to cumulative contributions collected and not yet spent which is restricted to support capital projects under MRIGlobal’s capital campaign.

Revenue from Operations and Contracts in Progress

MRIGlobal's revenue from operations results primarily from contracts with federal agencies, some of which provide for cost reimbursement plus fixed fee and/or award fee and others that are fixed-price, level of effort or time and materials type contracts.

Alliance's revenue from operations results primarily from its contract with the DOE to operate NREL. The DOE contract includes a five-year term beginning October 1, 2018 to September 30, 2023, with an available award fee of approximately $36,400,000. In November 2022, the contract was extended to September 30, 2028 with an available award fee of approximately $46,000,000.

The terms of the contract, which is on a cost basis, provide for a fee to be awarded based upon performance. The fees earned and most non-reimbursable costs are shared between MRIGlobal and Battelle on a 62.5% and 37.5% basis, respectively. The contract revenues generated by NREL operations and performance fees are included in the accompanying combined financial statements.

Contract revenues are recognized as MRIGlobal Group satisfies the performance obligations under its contracts. Revenue is reported at the amount of consideration which MRIGlobal Group expects to be entitled in exchange for providing services. MRIGlobal Group determines the transaction price based on standard charges for goods and services provided, reduced by implicit and explicit price concessions. MRIGlobal Group determines its estimates of implicit and explicit price concessions based upon contractual agreements, its discount policies and historical experience. The estimated amounts also include variable consideration for payments that are contractually withheld until the end of the research or trial period and paid only once all required work is completed. For the purposes of revenue recognition, variable consideration is assessed on a contract-by-contract basis and the amount included in the transaction price is estimated based on the assessment of MRIGlobal Group's anticipated performance and consideration of all information that is reasonably available. Variable consideration is recognized as revenue if and when it is deemed probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved in the future. See *Note 2* for additional information about MRIGlobal Group's revenue.

MRIGlobal's revenue from operations was $116,276 and $115,995 for the years ended September 30, 2024 and 2023, of which government clients represented approximately 86% and 84%, respectively. All other revenue from operations is generated from Alliance, which recognized $1,009,456 and $786,323 for the years ended September 30, 2024 and 2023, respectively, of which 89% and 85%, respectively, represented funding from the DOE in each of the respective years.

Contracts in progress – unbilled costs and fees represent revenue recognized on contracts in excess of related billings. Such amounts represent valid claims that will be billed in accordance with the terms of the contract and to which MRIGlobal Group has a right to consideration in exchange for goods or services that MRIGlobal Group has transferred to the customer.

Contracts in progress – billings in excess of cost and fees represent amounts received in excess of revenue recognized on contracts. Such amounts are deferred and recognized as the goods or services are provided to the customer.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the organization has an unconditional right to receive. MRIGlobal Group provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, existing economic conditions and reasonable and supportable forecasts. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts are considered delinquent and subsequently written off based on individual credit evaluation and specific circumstances of the customer.

(Dollars in Thousands)

Restricted Assets

Alliance administers Government Funded Technology Transfer (GFTT) funds used to conduct technology transfer activities funded and authorized under the DOE contract to provide publicly available benefits from NREL research. Alliance is authorized to use DOE funds to conduct activities to identify and protect NREL intellectual property, and to negotiate GFTT agreements for use of the intellectual property. Alliance maintains a separate restricted bank account for this purpose. In the event of termination or upon the expiration of Alliance's contract, the unexpended balance of these funds will be transferred to a successor contractor.

Alliance administers funds on behalf of Joint Institute for Strategic Energy Analysis (JISEA), a research consortium among six leading research institutions – Massachusetts Institute of Technology, Stanford University, University of Colorado, Colorado School of Mines, Colorado State University and NREL. JISEA conducts leading-edge interdisciplinary research and provides objective and credible data, tools and analysis to guide global energy investment and policy decisions. Sponsorship fees are paid to Alliance by the participating sponsors and held by Alliance for research costs. Alliance maintains a separate restricted bank account for this purpose.

Restricted assets are comprised primarily of cash and other receivables and consisted of the following at September 30:

	2024	2023
JISEA	$ 63	$ 18
Technology transfer activities	3,339	2,896
	$ 3,402	$ 2,914

The corresponding liabilities are included in other current liabilities.

Investments and Net Investment Return

MRIGlobal Group measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses, less external and direct internal investment expenses.

Property, Plant and Equipment

Property, plant and equipment acquisitions over $5,000 are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. The estimated useful lives for each major depreciable classification of property, plant and equipment are as follows:

Building and improvements	15 to 40 years
Machinery, equipment and furniture	3 to 10 years

Property, plant and equipment purchased by Alliance to manage or operate NREL are assets of the DOE and, therefore, not reflected on the combined balance sheets.

(Dollars in Thousands)

Long-lived Asset Impairment

MRIGlobal Group evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Impairment losses of $761 were recognized for certain equipment related to research projects that were being exited for the year ended September 30, 2024. No asset impairment was recognized during the year ended September 30, 2023.

Equity

Equity, revenues, gains and losses are classified based on existence or absence of donor restrictions.

Equity without donor restrictions is available for use in general operations and not subject to donor restrictions.

Equity with donor restrictions is subject to donor restrictions which are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. At September 30, 2024 and 2023, equity with donor restrictions totaled $1,622 and $5,280, respectively, and was restricted both as to time and purpose for various capital projects under their capital campaign.

Contributions

Contributions are provided to MRIGlobal Group either with or without restrictions placed on the gift by the donor. Revenues and equity are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on MRIGlobal Group overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, equity with donor restrictions is reclassified to equity without donor restrictions and reported in the combined statements of income as equity released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and equity without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions. MRIGlobal received conditional contributions during the years ended September 30, 2024 and 2023 that will be recognized once qualifying expenses subject to the Uniform Guidance regulations are incurred. As of September 30, 2024 and 2023, the remaining amounts to recognize once conditions are met are $1,177 and $1,245, respectively.

Contributions receivable totaled $130 and $1,731 as of September 30, 2024 and 2023, respectively. As of September 30, 2024, all contributions receivable were due within one year. As of September 30, 2023, $1,594 contributions receivable were due within one year and $137 were due within one to five years.

Income Taxes

MRIGlobal and Alliance are exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the entities are subject to federal income tax on any unrelated business taxable income. MRIGlobal and Alliance file tax returns in the U.S. federal jurisdiction.

MRIGlobal accounts for income taxes in accordance with income tax accounting guidance (Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. MRIGlobal determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not some portion or all of a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. Recognized income tax positions are initially and subsequently measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. No amounts have been recorded at September 30, 2024 and 2023, with respect to uncertain tax positions.

MRIGlobal recognizes interest and penalties on income taxes as a component of income tax expense and files tax returns in the U.S. federal and state jurisdictions. No income tax expense was recorded during the year ended September 30, 2023. During the year ended September 30, 2024, MRIGlobal recorded $1,280 in income tax expense presented as other expense in the combined statements of income.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Note 2. Revenue from Contracts with Customers

Revenue from Operations

MRIGlobal generally enters into contracts with customers to provide various research services with payments based on cost reimbursement plus fixed fee and/or award fee, fixed-price, level of effort or time and materials. MRIGlobal's contracts generally are incrementally funded through contract modifications for additions to the scope of work or as appropriated funds are available.

Alliance revenues from operations result primarily from contract research and other services primarily under a performance based cost-reimbursable award fee contract with the DOE. Revenue on the contract is recognized to the extent of costs incurred plus a proportionate amount of the fee earned. Alliance considers fixed fees under the cost-plus-fee contract to be earned in proportion to the allowable costs incurred in performance of the contract. Alliance considers performance-based fees, including award fees, under any contract type to be earned using one of the two following methods:

1) When Alliance can demonstrate satisfaction of performance obligations, or

2) When Alliance receives contractual notification from the customer that the fee has been earned.

The DOE contract is incrementally funded through contract modifications for additions to the scope of work and as its appropriated funds are available. Contracts with other federal agencies are generally fully funded at the inception of the contract, with funds added by contract modifications for work scope changes. If it is not probable that Alliance will collect substantially all of the contract fee, revenue is not recognized.

Under the DOE cost-reimbursable contract, Alliance may earn an award fee estimated at approximately $36.4 million and $46 million, respectively, over the contract periods of October 1, 2018 through September 30, 2023 and October 1, 2023 through September 30, 2028 by attaining certain performance goals measured by the DOE using objective metrics. Alliance recognizes award fees based on an estimate of the variable consideration earned. Alliance recognizes award fees to the extent it is probable that a significant reversal in amounts recognized will not occur when the uncertainly is subsequently resolved.

Transaction Price and Recognition

MRIGlobal Group determines the transaction price based on internal pricing guidelines and project budgets submitted during contract proposals. MRIGlobal Group does not offer implicit or explicit price concessions and all contracts are priced based on expected costs to be incurred plus a reasonable profit margin.

At contract inception, MRIGlobal Group assesses the services promised in the contracts with customers to identify the performance obligations in the arrangement. Generally, all contracts are considered a single performance obligation because MRIGlobal Group provides a highly integrated service resulting in a combined output.

MRIGlobal Group revenue is recognized for the single performance obligation over time due to MRIGlobal Group's right to payment for work performed to date. The transaction price is the contractually defined amount that includes adjustment for variable consideration such as retainage. The contracts generally provide for the right to invoice the customer as work progresses based on either achievement of milestones or costs incurred to date.

MRIGlobal Group revenue for performance obligations satisfied over time is recognized over the period based on the cost-to-cost measure. MRIGlobal Group believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Contracts generally provide for pricing modifications upon scope of work changes. MRIGlobal Group recognizes revenue, at an amount to which it expects to be entitled, related to work performed in connection with scope changes when the underlying services are performed and a binding contractual commitment has been established with the customer. If MRIGlobal Group's customers do not agree to contract changes upon changes in MRIGlobal Group's scope of work, MRIGlobal could be exposed to cost overruns and reduced contract profitability.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the years ended September 30, 2024 and 2023, net reductions to revenue of $4,729 and $3,447, respectively, were recognized due to changes in its estimates of variable consideration such as cost overruns for performance obligations satisfied in prior years. Subsequent changes that are determined to be the result of an adverse change in the customer's ability to pay are recorded as bad debt expense.

MRIGlobal Group recognizes all revenue from operations over a period of time. MRIGlobal Group has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected primarily by the contract type that has different reimbursement and payment methodologies.

(Dollars in Thousands)

Contract Balances

The following table provides information about MRIGlobal Group's receivables, contract assets and contract liabilities from contracts with customers:

	2024	2023
Accounts receivable, beginning of year	$ 12,318	$ 12,851
Accounts receivable, end of year	12,836	12,318
Contract assets, beginning of year	171,203	142,740
Contract assets, end of year	220,235	171,203
Contract liabilities, beginning of year	3,202	3,598
Contract liabilities, end of year	1,021	3,202

Contract Costs

MRIGlobal Group has elected to apply the practical expedient provided by FASB ASC 340-40-25-4 and expense as incurred, the incremental customer contract acquisition costs for contracts in which the amortization period of the asset that MRIGlobal otherwise would have recognized is one year or less.

Note 3. Disclosures About Fair Value of Assets and Liabilities

The following table represents assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30:

	Level in Fair Value Measurement Hierarchy	2024	2023
Assets - Investments			
Money market funds	Level 1	$ 568	$ 739
Equity mutual funds	Level 1	5,492	4,467
Fixed income mutual funds	Level 1	546	525
U.S. treasury securities	Level 1	2,225	1,508
U.S. government agency obligations	Level 2	39	45
Municipal bonds	Level 2	144	199
Corporate bonds	Level 2	1,690	1,490
Total investments		$ 10,704	$ 8,973
Assets			
Interest rate swap agreement	Level 2	$ 349	$ 729

(Dollars in Thousands)

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying combined balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended September 30, 2024 and 2023.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. MRIGlobal Group held no Level 3 investments for the years ended September 30, 2024 and 2023.

Interest Rate Swap Agreement

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Note 4. Long-term Debt

Long-term debt at September 30 consisted of the following:

	2024	2023
Revenue Bond (MRIGlobal Project) Series 2015, dated August 26, 2015, due November 1, 2029	$ 8,270	$ 9,505
Paycheck Protection Program loan, dated April 23, 2020, due April 23, 2025	1,145	3,093
Finance lease liabilities	300	421
	9,715	13,019
Less unamortized debt issuance costs	(25)	(34)
Less current maturities	(2,542)	(3,304)
	$ 7,148	$ 9,681

In August 2015, the Missouri Development Finance Board (MDFB) issued a tax-exempt Revenue Bond (the Bond) on behalf of MRIGlobal to refund the Research Facility Revenue Bonds, Series 2007. The Bond, with an original stated principal amount of $18,745, was issued at par, and the entire proceeds were transferred to a Refund Escrow Account for repayment of the Series 2007 bonds. The Bond is subject to mandatory principal redemption at stated amounts annually on November 1, beginning in 2015 through maturity. During the year ended September 30, 2020, the bond agreement was modified for the interest rate. Effective September 1, 2020, interest is payable monthly and varies with the product of LIBOR and the factor of 85% plus a 1% spread which is subject to adjustment by the margin rate factor. On September 1, 2022, this agreement was amended to change the interest rate index from LIBOR to SOFR. The margin rate factor is the greater of one or the product of one minus the maximum federal corporate tax rate multiplied by 1.26582. The Bond is not secured by collateral.

(Dollars in Thousands)

Under the terms of the bond agreement, MRIGlobal is required to maintain a Fixed Charge Coverage Ratio of at least 1.1:1. MRIGlobal is also required to maintain a Liquidity Coverage Ratio of at least 0.5:1.

MRIGlobal received a $6,992 Paycheck Protection Program (PPP) loan established by the CARES Act and has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. MRIGlobal did not seek forgiveness of the loan amount, and as of September 14, 2021, MRIGlobal modified the PPP loan and extended the maturity until April 23, 2025, with monthly payments of $164 plus interest of 1%, starting on September 23, 2021.

See *Note 8* for additional information on the terms over the finance leases.

Interest expense for the years ended September 30, 2024 and 2023 was $224 and $272, respectively.

Aggregate annual maturities of long-term debt at September 30, 2024 are:

	Long-Term Debt (Excluding Leases)	Finance Leases
2025	$ 2,420	$ 122
2026	1,315	83
2027	1,355	82
2028	1,400	13
2029	1,440	-
Thereafter	1,485	-
	$ 9,415	$ 300

Note 5. Variable to Fixed Interest Rate Swap

In January 2020, as a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, MRIGlobal entered into an interest rate swap agreement for a portion of its floating rate debt through November 1, 2029. The agreement provides for MRIGlobal to receive interest from the counterparty at 85% of 30 day LIBOR and to pay interest to the counterparty at a fixed rate of 1.25% on notional amounts of $8,270 and $9,505 as of September 30, 2024 and 2023, respectively. On September 1, 2022, this agreement was amended to modify the interest index from LIBOR to SOFR. Under the agreement, MRIGlobal pays or receives the net interest amount monthly, with the monthly settlements included in other, net expenses on the combined statements of income.

(Dollars in Thousands)

The table below presents certain information regarding MRIGlobal's interest rate swap agreement.

	2024	2023
Fair value of interest rate swap agreement	$ 349	$ 729
Combined balance sheet location of fair value amount	Other assets	Other assets
Loss recognized in net income	(380)	(21)
Location of gain recognized in net income	Other, net	Other, net

Note 6. Line of Credit

MRIGlobal has a $10,000 revolving bank line of credit expiring in May 2025. The line is collateralized by all of MRIGlobal's accounts receivable. Interest varies with the 30-day SOFR plus 2.11%, which was 7.31% and 7.44% on September 30, 2024 and 2023, respectively, and is payable monthly. As of September 30, 2024 and 2023, the available line of credit was $10,000, with no outstanding borrowings against the line of credit.

Note 7. Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. MRIGlobal's conditional asset retirement obligations primarily relate to a responsibility to decommission chemical research laboratories. The associated liability is included in other long-term liabilities in the combined balance sheets.

A summary of changes in asset retirement obligations for the years ended September 30, 2024 and 2023 is included in the table below:

	2024	2023
Liability, beginning of year	$ 2,451	$ 2,344
Accretion expense	116	107
Liability, end of year	$ 2,567	$ 2,451

Note 8. Leases

Accounting Policies

MRIGlobal determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the combined balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. MRIGlobal determines lease classification as operating or finance at the lease commencement date. Finance leases are included in property, plant and equipment, current maturities of long-term debt and long-term debt in the combined balance sheets. Operating leases result in the recognition of ROU assets and lease liabilities on the combined balance sheets.

MRIGlobal combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its facilities and equipment.

In addition, for certain equipment leases, MRIGlobal applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. MRIGlobal has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that MRIGlobal is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

MRIGlobal has elected not to record leases with an initial term of 12 months or less on the combined balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

MRIGlobal has entered into the following lease arrangements:

Finance Leases

These leases mainly consist of copiers. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

Operating Leases

MRIGlobal leases facilities and equipment that expire in various years through 2030. These leases generally require MRIGlobal to pay all executory costs (property taxes, maintenance and insurance). Lease payments have an escalating fee schedule, which range from a 0% to 3% increase each year. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

MRIGlobal has no material related-party leases.

MRIGlobal’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

(Dollars in Thousands)

Quantitative Disclosures

The lease cost and other required information for the years ended September 30, 2024 and 2023, are:

	2024	2023
Lease cost		
Finance lease cost		
Amortization of right-of-use asset	$ 122	$ 125
Interest on lease liabilities	3	2
Operating lease cost	1,242	1,206
Total lease cost	$ 1,367	$ 1,333
Other information		
Right-of-use assets obtained in exchange for new finance lease liabilities	$ -	$ 87
Weighted-average remaining lease term		
Finance leases	2.80	3.68
Operating leases	4.14	5.13
Weighted-average discount rate		
Finance leases	3.82%	3.82%
Operating leases	4.18%	4.18%

Future minimum lease payments and reconciliation to the combined balance sheet at September 30, 2024, are as follows:

	Operating Leases
2025	$ 1,279
2026	1,289
2027	1,328
2028	1,368
2029	229
Total future undiscounted lease payments	5,493
Less imputed interest	(448)
Lease liabilities	$ 5,045

Note 9. Related Party Transactions

Alliance receives administrative and technical services throughout the year from Battelle. Battelle managed laboratories receive technical services provided by Alliance. During the years ended September 30, 2024 and 2023, Alliance received approximately $6,800 and $8,200 from Battelle-managed laboratories, respectively. Alliance paid Battelle-managed laboratories approximately $1,400 and $2,200 during the years ended September 30, 2024 and 2023, respectively.

Note 10. Pension and Other Postretirement Benefit Plans

Defined Contribution Plan

MRIGlobal sponsors a 403(b) defined contribution plan for eligible employees. MRIGlobal makes a matching contribution of 50 cents for every dollar contribution made by the employee up to a maximum contribution of 8% of eligible earnings. Matching contributions are made every pay period. MRIGlobal's expense related to this plan was $3,180 and $2,964 in 2024 and 2023, respectively.

Alliance sponsors a 403(b) defined contribution plan for eligible employees. Alliance makes a matching contribution of 50 cents for every dollar contribution made by the employee up to a maximum contribution of 2.5% of eligible earnings. Alliance's expense related to this plan was $9,600 and $8,500 in 2024 and 2023, respectively.

Deferred Compensation Plan

MRIGlobal has an unfunded deferred compensation agreement for a select group of management and highly compensated employees. MRIGlobal makes no contributions to the plan. An asset (within other assets) and corresponding liability (within other long-term liabilities) are recorded in the combined balance sheets, representing the amounts held in the plan which have been contributed by the plan participants and the funds owed to the participants.

Defined Benefit Plan

Alliance administers a noncontributory defined benefit plan under the terms of a contract with the DOE for employees of NREL. The DOE has the responsibility for funding this plan and for all subsequent benefit payments. As a result, this plan is not included in the combined financial statements or in the following table of funded status.

MRIGlobal froze its noncontributory defined benefit plan effective December 31, 2011. No new employees may enter the plan as of that date. Participants will retain 100% of the benefits accrued through December 31, 2011, but no additional benefits in the pension plan will be earned. Benefits accrued through December 31, 2011, will continue to be available to eligible vested participants at termination or retirement. Years of service will continue to grow and be counted for purposes of vesting in the accrued pension benefit.

The pension plan curtailment was recognized as of October 31, 2011, which is the date the plan freeze was effectively communicated to participants. Since no future salary or years of service will be credited to the plan, the projected benefit obligation was reset to be equal to the accumulated benefit obligation.

The plan provides monthly benefits beginning at age 65 for employees with a minimum of one year of service or when an employee's combined age and years of service is 85. Monthly benefits for participants electing early retirement are actuarially reduced for each month of early retirement. Benefits, based on years of participation in the plan and compensation, are 20% vested upon two years of service, with increases of 20% per year until 100% vested after six years of service.

(Dollars in Thousands)

During 2018, the plan was amended to allow eligible participants a limited opportunity to elect to receive a single lump sum distribution of their vested accrued benefits under the plan.

During 2024, the plan was terminated with an effective date of May 31, 2024 and at that time all participants became 100% vested (to the extent not already vested). Full liquidation is expected by May 2025.

MRIGlobal recognizes the overfunded or underfunded status of its defined benefit postretirement plan as an asset or liability in its combined balance sheets and recognizes changes in that funded status in the year in which the changes occur through changes in equity.

MRIGlobal's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as MRIGlobal may determine to be appropriate from time to time. MRIGlobal expects to contribute $4,003 to the plan in 2025.

MRIGlobal uses a September 30 measurement date for the plan. Information about the plan's funded status follows:

	2024	2023
Benefit obligation	$ 57,035	$ 52,618
Fair value of plan assets	53,032	47,048
Funded status	$ (4,003)	$ (5,570)

Due to the termination and planned liquidation, the entire accrued pension obligation was presented as a current liability as of September 30, 2024 within the combined balance sheet. The entire accrued pension obligation was presented as a noncurrent liability as of September 30, 2023 within the combined balance sheet.

Amounts recognized in change in equity not yet recognized as components of net periodic benefit cost consist of:

	2024	2023
Net loss	$ 16,706	$ 15,935

Other significant balances and costs are:

	2024	2023
Employer contributions	$ 2,895	$ 2,818
Benefits paid	3,613	3,876
Net periodic benefit costs	558	773

The components of net periodic benefit cost other than the service cost component were ($88) and $113 for the years ended September 30, 2024 and 2023, respectively, and are included in the line item other, net in the combined statements of income.

(Dollars in Thousands)

Other changes in plan assets and benefit obligations recognized in change in equity:

	2024	2023
Amounts arising during the period - net (gain) loss	$ 1,115	$ (2,294)
Amounts reclassified as components of net periodic benefit cost of the period - amortization of net loss	(344)	(380)
Pension-related changes other than net periodic pension costs (gains)	$ 771	$ (2,674)

Given the full liquidation by May 2025, the entire net loss of $16,706 will be recognized into net periodic benefit costs over the next fiscal year.

MRIGlobal's federally funded projects are subject to the Cost Accounting Standards (CAS) which impact how certain expenses may be charged to federal contracts and may vary from the recognition under generally accepted accounting principles (GAAP). Under these standards, pension expense may be charged to federal contracts at a different amount than the pension expense as calculated under GAAP. MRIGlobal has consistently applied CAS 413, *Adjustment and Allocation of Pension Cost,* to charge federal contracts the curtailment adjustment incurred upon freezing the plan on December 31, 2011. Under these standards, the curtailment adjustment is charged to federal contracts over a period of time and is recognized in operating expenses within the combined statements of income. In order to properly recognize this expense in accordance with GAAP (entire curtailment adjustment recognized upon freezing the plan), an offset of this expense is recorded to other, net within the other income (deductions) section of the combined statements of income.

In addition to charging the curtailment adjustment under CAS 413, MRIGlobal calculates the net periodic pension cost to be charged to federal contracts in accordance with CAS 412, *Cost Accounting Standard for Composition and Measurement of Pension Cost*. Under this standard, additional pension expense is recognized in the operating expenses within the combined statements of income. In order to recognize pension expense in accordance with GAAP, an offset to the increased pension expense recognized under CAS 412 of approximately $2,892 and $2,715, respectively, was recorded to other, net within the other income (deductions) section of the combined statements of income for the years ended September 30, 2024 and 2023.

Significant assumptions include:

	2024	2023
Weighted-average assumptions used to determine benefit obligations		
Discount rate	4.95%	5.83%
Expected long-term rate of return	5.00%	7.00%
Weighted-average assumptions used to determine benefit costs		
Discount rate	5.83%	5.47%
Expected long-term rate of return	7.00%	6.70%
Mortality table	MP-2021	MP-2021

MRIGlobal has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

(Dollars in Thousands)

MRIGlobal's pension investment policies and strategies are meant to generate total return of the plan to exceed a weighted benchmark return based upon policy asset allocation targets and standard index returns over a full market cycle. Recognizing that shortfalls may occur over portions of the market cycle, the comparison focuses on both return and volatility. During the year ended September 30, 2023, the plan's assets were to be sufficiently diversified to reduce volatility, and diversification was achieved by allocating assets to multiple asset classes and emphasizing different sources of return throughout the portfolio, allocating assets among various investment styles within each asset class or the possibility of short-term declines in market value is acceptable in order to achieve potentially higher long-term investment returns. The target asset allocation percentages for the public equity portfolio ranged from 35% to 65%, for the fixed income portfolio ranged from 30% to 60%, specialty asset portfolio ranged from 0% to 15% and cash ranged from 0% to 15%.

During the year ended September 30, 2024, due to the planned termination and liquidation, MRIGlobal transferred and allocated 100% of the plan assets to a liability-hedging portfolio.

The actual asset allocation percentages for 2024 and 2023 are as follows:

	2024	2023
Public equity portfolio	0%	54%
Fixed income portfolio	78%	37%
Specialty assets portfolio	0%	3%
Cash and cash equivalents	22%	6%
	100%	100%

Pension Plan Assets

Plan assets are held in a trust and are administered by a custodian bank. Plan assets are invested in accordance with the provisions of the investment policy statement. The investment policy statement permits investment in money market funds, liability-hedging assets such as investment grade bonds and return-seeking assets such as equities and non-investment grade bonds; all based on certain target allocation percentages.

Following is a description of the valuation methodologies used for pension plan assets measured at fair value on a recurring basis and recognized in the accompanying combined balance sheets, as well as the general classification of pension plan assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include money market accounts, common stock, equity and exchange traded funds, United States Treasury notes and fixed income funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include corporate bonds and marketable certificates of deposits. In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy.

(Dollars in Thousands)

The fair values of MRIGlobal's pension plan assets as of September 30, 2024 and 2023, by asset class are as follows:

Asset Category	Level in Fair Value Measurement Hierarchy	2024	2023
Investments at fair value			
Money market accounts	Level 1	$ 11,900	$ 2,981
Common stock	Level 1	-	3,639
Equity mutual funds	Level 1	-	14,901
Exchange traded funds	Level 1	-	6,794
United States treasury notes	Level 1	-	6,154
Fixed income funds	Level 1	-	1,975
Alternative investments funds	Level 1	-	1,401
Corporate bonds	Level 2	-	8,369
Marketable certificates of deposit	Level 2	-	834
Investments at net asset value			
Aon Collective Investment Trust	N/A		
Liability Hedging Fixed Income Funds	N/A	30,181	-
Passive Index Funds	N/A	10,951	-
Total		$ 53,032	$ 47,048

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the fair value of plan assets. These balances reflect an investment in Aon Collective Investment Trust funds offered through private placement. The units are valued daily using the NAV and allow for daily redemptions.

The following benefit payments are expected to be paid as of September 30, 2024:

2025	$ 57,035

Note 11. Liquidity and Availability of Financial Assets

MRIGlobal regularly monitors liquidity required to meet its operating needs and other contractual commitments. MRIGlobal has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable, contracts in progress – unbilled costs and fees, fee earned from the management of NREL, long-term investments that can be converted to cash if needed, and a line of credit which it could draw upon in the event of an unanticipated liquidity need. See *Note 6* for information regarding the line of credit. MRIGlobal seeks to maintain financial assets, which consist of cash, investments and bank line of credit capacity, available to meet up to 60 days of normal operations. The contribution receivable is restricted as to use and is subject to time restriction but both restrictions are expected to be met within one year.

(Dollars in Thousands)

For purposes of analyzing resources available to meet general expenditures over a 12-month period, MRIGlobal considers all expenditures related to its ongoing research activities as well as the conduct of services undertaken to support those activities to be general expenditures. MRIGlobal operates under an annual operating plan that is reviewed and approved by the board of directors.

The DOE provides funds to Alliance for the operation of NREL through the U.S. Department of Treasury's Automated Standard Application for Payments ("ASAP") system. ASAP allows Alliance to draw federal funds from accounts pre-authorized by the federal agencies for appropriate costs and fees to meet NREL's liquidity needs. Ownership of the funds remains with the DOE but the availability of liquidity through ASAP is funded in advance of NREL spending. The DOE reviews and approves the annual budget for NREL.

Alliance retains a portion of the fee earned from the management of NREL and utilizes the cash to meet expenditures not allowable under the NREL contract in addition to distributing the fee to Alliance Members, MRIGlobal and Battelle. Alliance's board of directors reviews and approves the Alliance budget. Alliance requires private sector customers to fund projects in the form of advance payments, and the related costs associated with those projects are applied against the advances as work is performed.

As of September 30, 2024 and 2023, the following tables show the total financial assets held by MRIGlobal and Alliance and the amounts of those financial assets that could readily be made available within one year of the combined balance sheets to meet general expenditures.

	2024			
	MRIGlobal	Alliance for Sustainable Energy, LLC	Eliminations	Combined Total
Financial assets at year-end				
Cash	$ 49,080	$ 4,582	$ -	$ 53,662
Accounts receivable, net	12,088	748	-	12,836
Contracts in progress - unbilled costs and fees	14,332	205,903	-	220,235
Contributions receivable	130	-	-	130
Cash included in restricted assets	-	3,104	-	3,104
Restricted cash	1,490	-	-	1,490
Long-term investments	10,704	-	-	10,704
Other assets	2,787	296	-	3,083
	$ 90,611	$ 214,633	$ -	$ 305,244
Financial assets available to meet general expenditures over the next 12 months				
Cash	$ 49,080	$ 4,582	$ -	$ 53,662
Accounts receivable, net	12,088	748	-	12,836
Contracts in progress - unbilled costs and fees	14,332	205,903	-	220,235
Long-term investments	10,704	-	-	10,704
	$ 86,204	$ 211,233	$ -	$ 297,437

(Dollars in Thousands)

	2023			
	MRIGlobal	**Alliance for Sustainable Energy, LLC**	**Eliminations**	**Combined Total**
Financial assets at year-end				
Cash	$ 40,689	$ 4,052	$ -	$ 44,741
Accounts receivable, net	11,729	624	(35)	12,318
Contracts in progress - unbilled costs and fees	19,707	151,496	-	171,203
Contributions receivable	1,731	-	-	1,731
Cash included in restricted assets	-	2,644	-	2,644
Restricted cash	3,548	-	-	3,548
Long-term investments	8,973	-	-	8,973
Other assets	2,580	973	-	3,553
	$ 88,957	$ 159,789	$ (35)	$ 248,711
Financial assets available to meet general expenditures over the next 12 months				
Cash	$ 40,689	$ 4,052	$ -	$ 44,741
Accounts receivable, net	11,729	624	(35)	12,318
Contracts in progress - unbilled costs and fees	19,707	151,496	-	171,203
Long-term investments	8,973	-	-	8,973
	$ 81,098	$ 156,172	$ (35)	$ 237,235

(Dollars in Thousands)

Note 12. Functional Allocation of Expenses

The schedules below present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on square footage and employee head count.

	2024					
	Program Services			Supporting Services		
	Research	NREL	Total Program Services	Management and General	Total Supporting Services	Total Expenses
Salaries and wages	$ 31,204	$ 413,313	$ 444,517	$ 23,342	$ 23,342	$ 467,859
Employee benefits	6,625	82,077	88,702	4,744	4,744	93,446
Payroll taxes	2,220	29,650	31,870	1,563	1,563	33,433
Subcontracts	18,233	289,185	307,418	6,635	6,635	314,053
Non-capital equipment	4,194	41,310	45,504	972	972	46,476
Professional fees and services	5,044	13,345	18,389	2,633	2,633	21,022
Technology	1,213	44,407	45,620	1,261	1,261	46,881
Supplies and other	9,013	25,531	34,544	988	988	35,532
Repairs and maintenance	2,434	7,423	9,857	712	712	10,569
Lease expense	1,543	2,956	4,499	75	75	4,574
Utilities	1,847	6,283	8,130	325	325	8,455
Travel	892	12,265	13,157	688	688	13,845
Conferences, seminars and meetings	172	7,057	7,229	281	281	7,510
Depreciation	4,783	-	4,783	350	350	5,133
All other	2,545	862	3,407	1,903	1,903	5,310
Interest expense	205	2,392	2,597	87	87	2,684
Total	$ 92,167	$ 978,056	$ 1,070,223	$ 46,559	$ 46,559	$ 1,116,782

Reconciliation to expenses included in the Combined Statement of Income:

Direct costs	$ 1,106,163
Operating expenses	9,787
Other deductions:	
Interest expense	237
Community and charitable support	123
Other expenses included in "Other, net"	2,806
Pension included in "Other, net"	(2,334)
	$ 1,116,782

(Dollars in Thousands)

	2023					
	Program Services			Supporting Services		
	Research	NREL	Total Program Services	Management and General	Total Supporting Services	Total Expenses
Salaries and wages	$ 29,244	$ 357,684	$ 386,928	$ 20,081	$ 20,081	$ 407,009
Employee benefits	5,822	74,087	79,909	4,018	4,018	83,927
Payroll taxes	2,126	26,567	28,693	1,396	1,396	30,089
Subcontracts	23,850	169,742	193,592	3,731	3,731	197,323
Non-capital equipment	2,810	22,768	25,578	523	523	26,101
Professional fees and services	5,865	14,039	19,904	3,247	3,247	23,151
Technology	767	34,956	35,723	953	953	36,676
Supplies and other	9,558	27,074	36,632	1,306	1,306	37,938
Repairs and maintenance	1,994	6,794	8,788	352	352	9,140
Lease expense	1,261	3,862	5,123	92	92	5,215
Utilities	2,134	6,098	8,232	349	349	8,581
Travel	808	10,368	11,176	622	622	11,798
Conferences, seminars and meetings	171	5,881	6,052	327	327	6,379
Depreciation	4,385	-	4,385	339	339	4,724
All other	527	865	1,392	1,399	1,399	2,791
Interest expense	244	332	576	47	47	623
Total	$ 91,566	$ 761,117	$ 852,683	$ 38,782	$ 38,782	$ 891,465

Reconciliation to expenses included in the Combined Statement of Income:

Direct costs	$ 882,306
Operating expenses	9,343
Other deductions:	
Interest expense	283
Community and charitable support	158
Other expenses included in "Other, net"	1,317
Pension included in "Other, net"	(1,942)
	$ 891,465

Note 13. Significant Estimates, Concentrations and Uncertainties

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Cash and Cash Equivalents

At September 30, 2024 and 2023, substantially all of MRIGlobal Group's cash was held at financial institutions in excess of federally insured limits; however, management continually evaluates the institutions' financial stability and believes the risk of loss is minimal.

Accounts Receivable

At September 30, 2024 and 2023, approximately 41% and 21% of the total accounts receivable balance is due from two customers in each respective year.

Investments

MRIGlobal invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying combined balance sheets.

Property, Plant and Equipment

See *Note 1* for disclosures about estimates used in calculating depreciation expense.

Asset Retirement Obligation

As discussed in *Note 7*, MRIGlobal has recorded a liability for its conditional asset retirement obligations related to decommissioning chemical research laboratories.

Pension Benefit Obligations

MRIGlobal has a noncontributory defined benefit pension plan whereby it agrees to provide certain postretirement benefits to eligible employees. The benefit obligation is the actuarial present value of all benefits attributed to service rendered prior to the valuation date based on the projected unit credit cost method. It is reasonably possible that events could occur that would change the estimated amount of this liability materially in the near term.

Contracts with the U.S. Government

See *Note 1* for revenue concentration disclosures.

Contract costs on U.S. government contracts, including indirect costs, are subject to audit by the federal government and adjustment pursuant to negotiations between MRIGlobal Group and government representatives. All of MRIGlobal Group's federal contract indirect costs have been agreed upon through fiscal year 2023. Contract revenue on U.S. government contracts has been recorded in amounts that are expected to be realized upon final settlement. In the opinion of management, the outcome of these matters will not have a material effect on MRIGlobal Group's combined balance sheets, combined statements of income, changes in equity or cash flows.

Alliance is undergoing various audits by third parties, on behalf of the DOE, regarding compensation and other expenses incurred under the contract for the 2023 and 2024 fiscal years. Results of these audits preliminarily indicated that there were questioned costs that would result in a loss for Alliance for the respective fiscal years.

As a result, Alliance recorded a contingent liability that is included in accrued expenses as of September 30, 2024 and 2023 of $18 and $1,215, respectively. Management believes that this estimated liability fully accounts for any probable exposure to Alliance. It is reasonably possible that a change in these estimates could occur in the near term.

Litigation

MRIGlobal Group is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of MRIGlobal Group. Events could occur that would change this estimate materially in the near term.

Note 14. Subsequent Events

Subsequent events have been evaluated through January 27, 2025, which is the date the combined financial statements were available to be issued.

Supplementary Information

MRIGlobal and Related Entities
Combining Balance Sheet
September 30, 2024
(Dollars in Thousands)

	MRIGlobal	Alliance for Sustainable Energy, LLC	Eliminations	Combined Total
ASSETS				
Current Assets				
Cash and cash equivalents	$ 49,080	$ 4,582	$ -	$ 53,662
Accounts receivable, net	12,088	748	-	12,836
Contracts in progress - unbilled costs and fees	14,332	205,903	-	220,235
Contributions receivable	130	-	-	130
Materials and supplies, at average cost	1,015	-	-	1,015
Prepaid expenses	1,601	14,844	-	16,445
Restricted assets	-	3,402	-	3,402
Total current assets	78,246	229,479	-	307,725
Property, Plant and Equipment, At Cost				
Land	2,349	-	-	2,349
Buildings	71,332	-	-	71,332
Equipment and fixtures	40,375	-	-	40,375
Work in progress	1,100	-	-	1,100
	115,156	-	-	115,156
Less accumulated depreciation	68,897	-	-	68,897
Net property, plant and equipment	46,259	-	-	46,259
Restricted Cash	1,490	-	-	1,490
Investments	10,704	-	-	10,704
Investment in Alliance for Sustainable Energy, LLC	2,949	-	(2,949)	-
Other Assets	3,136	2,699	-	5,835
Right-of-Use Assets - Operating Leases	5,045	-	-	5,045
Total assets	$ 147,829	$ 232,178	$ (2,949)	$ 377,058
LIABILITIES AND EQUITY				
Current Liabilities				
Current maturities of long-term debt	$ 2,542	$ -	$ -	$ 2,542
Accrued subcontract costs	-	110,409	-	110,409
Accounts payable	6,951	12,146	-	19,097
Accrued expenses	4,962	100,891	-	105,853
Contracts in progress - billings in excess of cost and fees	1,021	-	-	1,021
Current portion of operating lease liabilities	1,090	-	-	1,090
Pension obligation	4,003	-	-	4,003
Other current liabilities	-	3,402	-	3,402
Total current liabilities	20,569	226,848	-	247,417
Long-term Debt	7,148	-	-	7,148
Other Long-term Liabilities	5,353	-	-	5,353
Operating Lease Liabilities	3,955	-	-	3,955
Total liabilities	37,025	226,848	-	263,873
Equity				
Without donor restrictions	109,182	5,330	(2,949)	111,563
With donor restrictions	1,622	-	-	1,622
Total equity	110,804	5,330	(2,949)	113,185
Total liabilities and equity	$ 147,829	$ 232,178	$ (2,949)	$ 377,058

MRIGlobal and Related Entities
Combining Schedule of Income
Year Ended September 30, 2024
(Dollars in Thousands)

	MRIGlobal	Alliance for Sustainable Energy, LLC	Eliminations	Combined Total
Without Donor Restrictions				
Revenue from operations	$ 116,306	$ 1,009,456	$ (30)	$ 1,125,732
Direct costs	106,870	999,323	(30)	1,106,163
Excess of revenue over direct costs	9,436	10,133	-	19,569
Operating expense	7,939	1,848	-	9,787
Operating income	1,497	8,285	-	9,782
Other income (deductions)				
Contributions	69	-	-	69
Release from restrictions	3,601	-	-	3,601
Equity in earnings of Alliance	5,143	-	(5,143)	-
Investment return, net	3,835	-	-	3,835
Interest income (expense)	(237)	13	-	(224)
Community and charitable support	(123)	-	-	(123)
Other, net	(1,334)	-	-	(1,334)
Total other income, net	10,954	13	(5,143)	5,824
Net income without donor restrictions	12,451	8,298	(5,143)	15,606
With Donor Restrictions				
Bad debt loss	(57)	-	-	(57)
Release from restrictions	(3,601)	-	-	(3,601)
Net loss with donor restrictions	(3,658)	-	-	(3,658)
Net income	$ 8,793	$ 8,298	$ (5,143)	$ 11,948

MRIGlobal and Related Entities
Combining Schedule of Changes in Equity
Year Ended September 30, 2024
(Dollars in Thousands)

	MRIGlobal	Alliance for Sustainable Energy, LLC	Eliminations	Combined Total
Without Donor Restrictions				
Net income	$ 12,451	$ 8,298	$ (5,143)	$ 15,606
Pension-related changes other than net periodic pension losses	(771)	-	-	(771)
Member distributions	-	(7,464)	4,629	(2,835)
Increase (decrease) in equity without donor restrictions	11,680	834	(514)	12,000
With Donor Restrictions				
Net loss	(3,658)	-	-	(3,658)
Change in Equity	8,022	834	(514)	8,342
Equity, Beginning of Year	102,782	4,496	(2,435)	104,843
Equity, End of Year	$ 110,804	$ 5,330	$ (2,949)	$ 113,185

MRIGlobal and Related Entities
Combining Balance Sheet
September 30, 2023
(Dollars in Thousands)

	MRIGlobal	Alliance for Sustainable Energy, LLC	Eliminations	Combined Total
ASSETS				
Current Assets				
Cash	$ 40,689	$ 4,052	$ -	$ 44,741
Accounts receivable, net	11,729	624	(35)	12,318
Contracts in progress - unbilled costs and fees	19,707	151,496	-	171,203
Contributions receivable	1,594	-	-	1,594
Materials and supplies, at average cost	927	-	-	927
Prepaid expenses	1,847	12,503	-	14,350
Restricted assets	-	2,914	-	2,914
Total current assets	76,493	171,589	(35)	248,047
Property, Plant and Equipment, At Cost				
Land	2,349	-	-	2,349
Buildings	70,500	-	-	70,500
Equipment and fixtures	39,438	-	-	39,438
Work in progress	2,374	-	-	2,374
	114,661	-	-	114,661
Less accumulated depreciation	66,989	-	-	66,989
Net property, plant and equipment	47,672	-	-	47,672
Restricted Cash	3,548	-	-	3,548
Contributions Receivable	137	-	-	137
Investments	8,973	-	-	8,973
Investment in Alliance for Sustainable Energy, LLC	2,435	-	(2,435)	-
Other Assets	3,309	3,438	-	6,747
Right-of-Use Assets - Operating Leases	6,061	-	-	6,061
Total assets	$ 148,628	$ 175,027	$ (2,470)	$ 321,185
LIABILITIES AND EQUITY				
Current Liabilities				
Current maturities of long-term debt	$ 3,304	$ -	$ -	$ 3,304
Accrued subcontract costs	-	67,444	-	67,444
Accounts payable	8,184	5,040	(35)	13,189
Accrued expenses	4,815	95,133	-	99,948
Contracts in progress - billings in excess of cost and fees	3,202	-	-	3,202
Current portion of operating lease liabilities	1,012	-		1,012
Other current liabilities	-	2,914	-	2,914
Total current liabilities	20,517	170,531	(35)	191,013
Pension Obligation	5,570	-	-	5,570
Long-term Debt	9,681	-	-	9,681
Other Long-term Liabilities	5,030	-	-	5,030
Operating Lease Liabilities	5,048	-	-	5,048
Total liabilities	45,846	170,531	(35)	216,342
Equity				
Without donor restrictions	97,502	4,496	(2,435)	99,563
With donor restrictions	5,280	-	-	5,280
Total equity	102,782	4,496	(2,435)	104,843
Total liabilities and equity	$ 148,628	$ 175,027	$ (2,470)	$ 321,185

MRIGlobal and Related Entities
Combining Schedule of Income
Year Ended September 30, 2023
(Dollars in Thousands)

	MRIGlobal	Alliance for Sustainable Energy, LLC	Eliminations	Combined Total
Without Donor Restrictions				
Revenue from operations	$ 116,205	$ 786,323	$ (210)	$ 902,318
Direct costs	106,669	775,847	(210)	882,306
Excess of revenue over direct costs	9,536	10,476	-	20,012
Operating expense	6,358	2,985	-	9,343
Operating income	3,178	7,491	-	10,669
Other income (deductions)				
Contributions	1,755	-	-	1,755
Release from restrictions	2,035	-	-	2,035
Equity in earnings of Alliance	4,683	-	(4,683)	-
Investment loss, net	2,005	-	-	2,005
Interest income (expense)	(283)	11	-	(272)
Community and charitable support	(158)	-	-	(158)
Other, net	637	-	-	637
Total other income (deductions), net	10,674	11	(4,683)	6,002
Net income without donor restrictions	13,852	7,502	(4,683)	16,671
With Donor Restrictions				
Contributions	133	-	-	133
Release from restrictions	(2,035)	-	-	(2,035)
Net income with donor restrictions	(1,902)	-	-	(1,902)
Net income	$ 11,950	$ 7,502	$ (4,683)	$ 14,769

MRIGlobal and Related Entities
Combining Schedule of Changes in Equity
Year Ended September 30, 2023
(Dollars in Thousands)

	MRIGlobal	Alliance for Sustainable Energy, LLC	Eliminations	Combined Total
Without Donor Restrictions				
Net income	$ 13,852	$ 7,502	$ (4,683)	$ 16,671
Pension-related changes other than net periodic pension gains	2,674	-	-	2,674
Member distributions	-	(7,519)	4,619	(2,900)
Increase (decrease) in equity without donor restrictions	16,526	(17)	(64)	16,445
With Donor Restrictions				
Net loss	(1,902)	-	-	(1,902)
Change in Equity	14,624	(17)	(64)	14,543
Equity, Beginning of Year	88,158	4,513	(2,371)	90,300
Equity, End of Year	$ 102,782	$ 4,496	$ (2,435)	$ 104,843

MRIGlobal and Related Entities
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2024

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity or Other Identifying Number	Passed Through to Subrecipients	Expenditures
Research and Development Cluster				
Research and Development Cluster - cost reimbursement:				
U.S. Department of Defense				
Direct - classified:				
Virginia Contracting Act	12.RD	HHM402-17-D-0004/0001	$ -	$ 3,672,892
Virginia Contracting Act	12.RD	HHM402-17-D-0004	-	7,153,427
GSA Region 11	12.RD	NA	3,010	7,168
GSA Region 11	12.RD	NA	-	431,686
Defense Technical Informa	12.RD	FA8075-18-D-0017	4,684,160	12,647,411
Total direct - classified			4,687,170	23,912,584
Direct - unclassified:				
Naval Inform	12.RD	N66001-23-C-4507	63,385	1,242,423
DARPA BTO	12.RD	HR001124C0387	-	305,852
DARPA NIWCP	12.RD	N66001-21-C-4048	2,651,501	7,098,497
Total direct - unclassified			2,714,886	8,646,772
Pass-through - unclassified:				
Advanced Technology International (ATI)	12.RD	Project No: 17-03-08-004	1,997,841	5,854,677
Advanced Technology International (ATI)	12.RD	Base agreement 2017-380	2,347,837	4,391,142
Advanced Technology International (ATI)	12.RD	Base agreement 2023-422 Proj 01	4,519,821	6,417,702
Charles Stark Draper	12.RD	Proposal No. 830903 R-5	-	425,372
Charles Stark Draper	12.RD	HR001124C0306	-	427,069
Southwest	12.RD	OTA: W15QKN-16-9-1002	-	119,193
Johns Hopkins University	12.RD	N00024-22-D-6404 / N00024-23-F	-	10,623
Total pass-through - unclassified			8,865,499	17,645,778
Total U.S. Department of Defense			16,267,555	50,205,134
U.S. Department of Interior				
Pass-through:				
SRI International	15.RD	SUB:140D0424C0007	-	322,400
Total pass-through			-	322,400
Total U.S. Department of Interior			-	322,400

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity or Other Identifying Number	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Direct:				
National Institute of Environmental Health Sciences (NIEHS)	93.RD	HHSN273201400020C	$ -	$ 3,660,744
National Institute of Neurological Disorders & Stroke (NINDS)	93.RD	HHSN271201500006i	-	1,549,735
National Allergy Infectious Diseases	93.RD	HHSN272201700001C	117,903	412,868
DHHS BAR&DA	93.RD	75A50122D00018	-	8,036
National Cancer Institute	93.RD	HHSN261201800026I	-	232,439
National Cancer Institute	93.RD	75N91023D00010	-	4,504,502
NIAID	93.RD	NA	196,518	1,002,308
NIAID	93.RD	75N93022D00002	-	230,249
National Institutes of Health	93.RD	75N9801D00061	-	420,671
Total direct			314,421	12,021,552
Pass-through:				
UC San Diego School of Medicine	93.RD	R01AG070353	-	5,680
Total pass-through			-	5,680
Total U.S. Department of Health and Human Services			314,421	12,027,232
U.S. Department of Homeland Security				
Direct - unclassified:				
U.S. Department of Homeland Security	97.RD	70RWMD23C00000023	7,720	908,881
Total U.S. Department of Homeland Security			7,720	908,881
Other U.S. Governmental Sources:				
Direct - classified:				
Classified - North Client	99.RD	B22-2022161G401-001	-	855,182
Classified - North Client	99.RD	B22-2022231G002	-	(1,773)
US Govt Classified	99.RD	B20-2020072G001	-	1,254,938
US Govt Classified	99.RD	B20-2020245G001	-	484,253
US Govt Classified	99.RD	B20-2020245G001	-	762,253
Total direct - classified			-	3,354,853
Pass-through - unclassified:				
National Strategic Research Institute (NSRI)	99.RD	SUB:NSRI-MRIGlobal-HHM402-001	-	982,720
Total pass-through unclassified			-	982,720
Total other U.S. governmental sources			-	4,337,573
Total research and development - cost reimbursement:			16,589,696	67,801,220

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity or Other Identifying Number	Passed Through to Subrecipients	Expenditures
Research and Development Cluster - time and materials:				
U.S. Department of Defense				
Direct - classified:				
GSA Region 11	12.RD		$ -	$ (431)
GSA Region 11	12.RD		29,924	582,969
Washington Headquarters	12.RD	HQ0034-22-C-0090	499,520	1,206,939
Total direct - classified			529,444	1,789,477
Pass-through - unclassified:				
Analytic Services (ANSER)	12.RD	GS00F095CA/47QFMA20F0024	-	332,283
Total pass-through			-	332,283
Total U.S. Department of Defense			529,444	2,121,760
Department of Homeland Security				
Direct - unclassified:				
US SECRET SE	97.RD	70US0921A70090039	-	35,105
Total Department of Homeland Security			-	35,105
U.S. Department of Health and Human Services				
Pass through - unclassified:				
VENTUREWELL	93.RD	SUB:75N92022D00013-75N92022F00003	-	457,373
Total U.S. Department of Health and Human Services			-	457,373
Other U.S. Governmental Sources:				
Direct - classified:				
Classified - North Client	99.RD	B22-2022161G401-001	-	876,231
			-	876,231
Total other U.S. governmental sources			-	876,231
Total research and development - time and materials			529,444	3,490,469
Total research and development cluster expenditures of federal awards			17,119,140	71,291,689
U.S. Department of Health and Human Services				
Direct				
Congressional Directives	93.493	6CE1HS46460-01-01	-	56,320
Congressional Directives	93.493	6CE1HS52146-01-02	-	11,361
Total ALN 93.493			-	67,681
Total expenditures of federal awards			$ 17,119,140	$ 71,359,370

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of MRIGlobal under programs of the federal government for the year ended September 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MRIGlobal, it is not intended to and does not present the financial position, changes in equity or cash flows of MRIGlobal.

For purposes of this Schedule, federal awards include all grants and contracts entered into directly between MRIGlobal and agencies and departments of the federal government, as well as federal funds passed through to MRIGlobal by other recipients. As required by Uniform Guidance, the Schedule does not include amounts received by Alliance to operate government-owned, contractor-operated facilities.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Expenditures consist of direct and indirect costs. Direct costs are those that can be easily identified with an individual federally sponsored project. The salary of a principal investigator of a sponsored research project and the material consumed by the project are examples of direct costs.

Indirect costs are costs of services and resources that benefit both sponsored and nonsponsored projects and activities. MRIGlobal uses indirect rates to allocate indirect costs to individual direct projects. The indirect rates are calculated by dividing indirect costs by the relevant direct cost bases. The resulting rates are then applied, as applicable, to both sponsored and nonsponsored direct costs to allocate indirect costs to each end cost objective. Indirect rates are submitted to the Department of Defense for audit and approval.

Note 3. Indirect Cost Rate

MRIGlobal has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Classified Contracts

For the year ended September 30, 2024, MRIGlobal had $4,231,084 of expenditures related to classified contracts with undisclosed federal agencies. These classified contracts represent 6% of the total schedule of expenditures of federal awards and may only be audited by the sponsoring agency and were not included as part of the audit performed in accordance with 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).

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
MRIGlobal
Kansas City, Missouri

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 combined financial statements of MRIGlobal and Related Entities (MRIGlobal Group), which comprise MRIGlobal Group's combined balance sheet as of September 30, 2024, and the related combined statements of income, changes in equity and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated January 27, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered MRIGlobal Group'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of MRIGlobal Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the MRIGlobal Group'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 combined 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 MRIGlobal Group's combined 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 combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Kansas City, Missouri
January 27, 2025

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Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Directors
MRIGlobal
Kansas City, Missouri

Report on Compliance for the Major Federal Program

Qualified Opinion

We have audited MRIGlobal's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2024. MRIGlobal's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on the Major Federal Program

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, MRIGlobal complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2024.

Basis for Qualified Opinion

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 (*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 MRIGlobal 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 the major federal program. Our audit does not provide a legal determination of MRIGlobal's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on the Major Federal Program

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting MRIGlobal's compliance with the Research and Development Cluster, as it relates to its classified contracts which represent 6% of the total Research and Development Cluster, as described in finding 2024-001 regarding the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Research and Development Cluster. Consequently, we were unable to determine whether MRIGlobal complied with those requirements applicable to the classified contracts.

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 MRIGlobal'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 MRIGlobal'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 MRIGlobal's compliance with the requirements of its 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 MRIGlobal'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 MRIGlobal'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 MRIGlobal'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.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on MRIGlobal's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. MRIGlobal's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. MRIGlobal is responsible for preparing a corrective action plan to address the audit finding included in our auditor's report. MRIGlobal's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

Forvis Mazars, LLP

Kansas City, Missouri
January 27, 2025

Section I – Summary of Auditor's Results

Combined Financial Statements

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

   ☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. Internal control over financial reporting:

   Material weakness(es) identified? ☐ Yes ☒ No

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

3. Noncompliance material to the combined financial statements noted? ☐ Yes ☒ No

Federal Awards

4. Internal control over major federal awards program:

   Material weakness(es) identified? ☐ Yes ☒ No

   Significant deficiency(ies) identified? ☐ Yes ☒ None reported

5. Type of auditor's report issued on compliance for major federal program(s):

   ☐ Unmodified ☒ Qualified ☐ Adverse ☐ Disclaimer

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☒ Yes ☐ No

7. Identification of major federal program:

Assistance Listing Number(s)	Name of Federal Program or Cluster
Various	Research and Development Cluster

8. Dollar threshold used to distinguish between Type A and Type B programs: $2,140,781.

9. Auditee qualified as a low-risk auditee? ☐ Yes ☒ No

Section II – Financial Statement Findings

Reference Number	Finding
	No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

Reference Number	Finding
2024-001	**Research and Development Cluster** **Classified Government Agencies - 99.RD**

Criteria or Specific Requirement – Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to the Research and Development Cluster.

Condition – MRIGlobal Group has classified contracts which only specified parties have clearance to access the contracts and review work performed under the contracts.

Questioned Costs – Not applicable

Context – Classified contract expenditures total $4,231,084, which represents approximately 6% of the total schedule of expenditures of federal awards.

Effect – Due to the security requirements related to the classified contracts, we were not permitted to obtain sufficient appropriate audit evidence supporting the compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Research and Development Cluster as it relates to these classified contracts.

Cause – The federal funding agency has categorized the Statement of Work for certain contracts as classified; therefore, we were unable to obtain and review related contracts in order to test compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Research and Development Cluster as it relates to these classified contracts.

Identification as a Repeat Finding – Yes (2023-001 and 2022-001)

Reference Number	Finding
2024-001	**Recommendation** – If possible, MRIGlobal should work with the funding agencies and their cognizant agency to resolve the access matter. **View of Responsible Official and Planned Corrective Actions –** Due to the classified nature of these contracts, no corrective action can take place because of the restrictions enforced by the sponsor's security requirements. While examination of financial mechanics related to these contracts could be performed, there is no ability, due to the classified nature of the work, for the auditors to examine the terms of the contract, specification of deliverables, required reports and equipment, explicitly unallowable costs or other special contract limits. In the Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance, the Independent Auditor's Report notes that MRIGlobal complied, in all material respects, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2024, for the non-classified contracts that were subject to audit. MRIGlobal applies the same level of internal controls and discipline over compliance for its classified contracts as it does for all other contracts and is confident that the compliance noted in the audit of the non-classified contracts extends to the classified contracts. It should also be noted that the classified contracts are subject to audit by the sponsor.

MRIGlobal and Related Entities
Summary Schedule of Prior Audit Findings
Year Ended September 30, 2024

Reference Number	Summary of Finding	Status
2023-001 2022-001	**Research and Development Cluster** **Classified Government Agencies - 99.DD**	Unresolved - see Finding 2024-001

Criteria or Specific Requirement – Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to the Research and Development Cluster.

Condition – MRIGlobal Group has classified contracts which only specified parties have clearance to access the contracts and review work performed under the contracts.

Questioned Costs – Not applicable

Context – Classified contract expenditures total $3,599,926, which represents approximately 5% of the total schedule of expenditures of federal awards.

Effect – Due to the security requirements related to the classified contracts, we were not permitted to obtain sufficient appropriate audit evidence supporting the compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on the Research and Development Cluster as it relates to these classified contracts.

Cause – The federal funding agency has categorized the Statement of Work for certain contracts as classified; therefore, we were unable to obtain and review related contracts in order to test compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Research and Development Cluster as it relates to these classified contracts.

Identification as a Repeat Finding – Yes

Reason for Recurrence and Planned Corrective Actions – Due to the classified nature of these contracts, no corrective action can take place because of the restrictions enforced by the sponsor's security requirements. While examination of financial mechanics related to these contracts could be performed, there is no ability, due to the classified nature of the work, for the auditors to examine the terms of the contract, specification of deliverables, required reports and equipment, explicitly unallowable costs or other special contract limits.

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Report on Compliance for the Major Federal Program
Schedule of Findings and Questioned Costs
Findings Required to be Reported by the Uniform Guidance
Year Ended September 30, 2024

Reference Number	Corrective Action Plan
2024-001	**Personnel Responsible for Correction Action:** Martin J. Nevshemal, Vice President, CFO, and Treasurer **Anticipated Completion Date:** N/A **Corrective Action Plan:** Due to the classified nature of these contracts, no corrective action can take place because of the restrictions enforced by the sponsor's security requirements. While examination of financial mechanics related to these contracts could be performed, there is no ability, due to the classified nature of the work, for the auditors to examine the terms of the contract, specification of deliverables, required reports and equipment, explicitly unallowable costs, or other special contract limits. In the Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance, the Independent Auditor's Report notes that MRIGlobal complied, in all material respects, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2024, for the non-classified contracts that were subject to audit. MRIGlobal applies the same level of internal controls and discipline over compliance for its classified contracts as it does for all other contracts and is confident that the compliance noted in the audit of the non-classified contracts extends to the classified contracts. It should also be noted that the classified contracts are subject to audit by the sponsor.