**CIVIL-MILITARY INNOVATION INSTITUTE, INC.**

**Morgantown, West Virginia**

**FINANCIAL REPORT**

**JUNE 30, 2025**

C O N T E N T S

800.464.1976
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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Civil-Military Innovation Institute, Inc.
Morgantown, West Virginia

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Civil-Military Innovation Institute, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Civil-Military Innovation Institute, Inc. as of June 30, 2025 and 2024, and the changes in its net assets, functional expenses and 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 Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2026 on our consideration of Civil-Military Innovation Institute, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
February 13, 2026

**CIVIL-MILITARY INNOVATION INSTITUTE, INC.**

**Statements of Financial Position**
June 30, 2025 and 2024

| **Assets** | **2025** | **2024** |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 13,500,208 | $ 15,379,496 |
| Accounts receivable | 4,048,217 | 4,680,925 |
| Other current assets | 27,926 | 20,567 |
| Total current assets | 17,576,351 | 20,080,988 |
| **Noncurrent Assets** | | |
| Property and equipment, net of accumulated depreciation $842,749 in 2025 and $438,460 in 2024 | 12,491,716 | 3,558,807 |
| Intangible assets, net of accumulated amortization | 781,228 | 815,361 |
| Right-of-use assets - operating | 5,822,551 | 801,635 |
| Total assets | $ 36,671,846 | $ 25,256,791 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Accounts payable | $ 5,558,253 | $ 7,569,997 |
| Accrued expenses and other liabilities | 394,988 | 508,297 |
| Current portion of lease liabilities - operating | 357,003 | 342,237 |
| Current portion of note payable | 3,929 | 15,255 |
| Total current liabilities | 6,314,173 | 8,435,786 |
| **Noncurrent Liabilities** | | |
| Lease liabilities - operating, less current portion | 5,499,009 | 464,983 |
| Note payable, less current portion | - - | 3,947 |
| Total liabilities | 11,813,182 | 8,904,716 |
| **Net Assets,** without donor restrictions | 24,858,664 | 16,352,075 |
| Total liabilities and net assets | $ 36,671,846 | $ 25,256,791 |

See Notes to Financial Statements.

**CIVIL-MILITARY INNOVATION INSTITUTE, INC.**

**Statements of Activities**
For the Years Ended June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **Revenue** | | |
| Contract revenue | $ 2,787,777 | $ 5,924,397 |
| Federal contract revenue | 35,720,514 | 27,115,415 |
| Government grants | 15,720,356 | 24,409,689 |
| Gift income and other grants | 159,573 | 102,500 |
| Program service revenue | 114,000 | - - |
| Interest income | 582,898 | 776,601 |
| Loss on disposal of land and improvements | - - | (1,391,128) |
| Other income | 267,806 | 60,627 |
| Total revenues | 55,352,924 | 56,998,101 |
| **Expenses** | | |
| Program | 37,303,647 | 44,122,304 |
| Management and general | 9,542,688 | 8,704,608 |
| Total expenses | 46,846,335 | 52,826,912 |
| Change in net assets | 8,506,589 | 4,171,189 |
| **Net Assets,** beginning of year | 16,352,075 | 12,180,886 |
| **Net Assets,** end of year | $ 24,858,664 | $ 16,352,075 |

See Notes to Financial Statements.

**CIVIL-MILITARY INNOVATION INSTITUTE, INC.**

**Statement of Functional Expenses**
For the Year Ended June 30, 2025

| | Program | Management and General | Total |
|---|---|---|---|
| Computer | $ 308,513 | $ 58,839 | $ 367,352 |
| Depreciation and amortization | 404,289 | 57,667 | 461,956 |
| Dues and subscriptions | - - | 4,258 | 4,258 |
| Fees and licenses | - - | 7,303 | 7,303 |
| Insurance | - - | 127,705 | 127,705 |
| Interest expense | - - | 582 | 582 |
| Marketing | - - | 28,474 | 28,474 |
| Meals | 1,594 | 31,038 | 32,632 |
| Miscellaneous expenses | 57,287 | 63,595 | 120,882 |
| Office supplies | 191,869 | 93,444 | 285,313 |
| Other direct costs | 3,426,190 | 188,707 | 3,614,897 |
| Overhead labor | 9,535 | - - | 9,535 |
| Postage | - - | 14,011 | 14,011 |
| Professional fees | - - | 479,739 | 479,739 |
| Repairs and maintenance | 13,721 | - - | 13,721 |
| Rent | 561,941 | - - | 561,941 |
| Salaries, taxes and benefits | 7,506,138 | 3,383,805 | 10,889,943 |
| Subcontractors | 24,358,897 | 4,440,518 | 28,799,415 |
| Telephone and internet | 9,949 | - - | 9,949 |
| Training and development | 15,135 | 347,298 | 362,433 |
| Travel and meetings | 416,247 | 186,539 | 602,786 |
| Utilities | 22,342 | 29,166 | 51,508 |
| Total expenses | $ 37,303,647 | $ 9,542,688 | $ 46,846,335 |

See Notes to Financial Statements.

**CIVIL-MILITARY INNOVATION INSTITUTE, INC.**

**Statement of Functional Expenses**
For the Year Ended June 30, 2024

| | Program | Management and General | Total |
|---|---|---|---|
| Computer | $ 229,023 | $ 43,955 | $ 272,978 |
| Depreciation and amortization | 241,928 | 45,167 | 287,095 |
| Dues and subscriptions | - - | 2,514 | 2,514 |
| Fees and licenses | - - | 4,561 | 4,561 |
| Insurance | - - | 76,646 | 76,646 |
| Interest expense | - - | 1,292 | 1,292 |
| Marketing | - - | 69,333 | 69,333 |
| Meals | 8,601 | 35,436 | 44,037 |
| Miscellaneous expenses | 80,548 | 82,685 | 163,233 |
| Office supplies | 288,671 | 10,131 | 298,802 |
| Other direct costs | 3,980,639 | 85,076 | 4,065,715 |
| Overhead labor | 2,691 | 45,099 | 47,790 |
| Postage | 9,323 | 1,077 | 10,400 |
| Printing and copying | - - | 330 | 330 |
| Professional fees | - - | 392,324 | 392,324 |
| Repairs and maintenance | 19,540 | - - | 19,540 |
| Rent | 172,765 | - - | 172,765 |
| Salaries, taxes and benefits | 5,967,607 | 2,059,478 | 8,027,085 |
| Subcontractors | 32,605,534 | 5,246,757 | 37,852,291 |
| Telephone and internet | 6,405 | - - | 6,405 |
| Training and development | 14,722 | 345,666 | 360,388 |
| Travel and meetings | 493,614 | 142,301 | 635,915 |
| Utilities | 693 | 14,780 | 15,473 |
| Total expenses | $ 44,122,304 | $ 8,704,608 | $ 52,826,912 |

See Notes to Financial Statements.

**CIVIL-MILITARY INNOVATION INSTITUTE, INC.**

**Statements of Cash Flows**
For the Years Ended June 30, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Change in net assets | $ 8,506,589 | $ 4,171,189 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization of right-of-use asset | 412,814 | 253,325 |
| Depreciation and amortization expense | 461,956 | 287,095 |
| Loss on disposal of land and improvements | - - | 1,391,128 |
| Decrease in accounts receivable | 632,708 | 1,008,789 |
| Decrease in employee retention credit receivable | - - | 227,422 |
| (Increase) in other current assets | (7,359) | (4,835) |
| (Decrease) increase in accounts payable | (2,011,744) | 3,907,384 |
| (Decrease) in lease liabilities - operating | (384,938) | (250,020) |
| (Decrease) increase in accrued expenses and other liabilities | (113,309) | 148,983 |
| Net cash provided by operating activities | 7,496,717 | 11,140,460 |
| **Cash Flows from Investing Activities** | | |
| Purchase of property and equipment | (9,337,198) | (4,027,865) |
| Purchase of intellectual property | (23,534) | (750,000) |
| Net cash (used in) investing activities | (9,360,732) | (4,777,865) |
| **Cash Flows from Financing Activities,** payments on notes payable | (15,273) | (14,563) |
| Net (decrease) increase in cash and cash equivalents | (1,879,288) | 6,348,032 |
| **Cash and Cash Equivalents** | | |
| Beginning of year | 15,379,496 | 9,031,464 |
| End of year | $ 13,500,208 | $ 15,379,496 |
| **Supplemental Disclosures of Cash Flow Information,** cash paid for interest | $ 582 | $ 1,292 |
| **Supplemental Disclosures of Noncash Operating, Investing and Financing Activities,** right-of-use assets - operating and lease liabilities - operating recognize in accordance with ASC 842, *Leases* | $ 775,815 | $ 238,061 |

See Notes to Financial Statements.

## Note 1. Nature of Operations

The Civil-Military Innovation Institute, Inc. (the "Organization") is a coalition of academic institution faculty, staff, and students, and outside organizations inside the Department of Defense and the broader national security community. The Institution formed in 2014 to foster innovation through direct and constant collaboration between service members and researchers, creating solutions designed to fit warfighters' needs from the beginning.

## Note 2. Summary of Significant Accounting Policies

### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Accordingly, the net assets, revenues, and expenses of the Organization are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

### Revenue Recognition

The Organization recognizes revenue in accordance with ASC Topic 606. This standard provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

<u>Nature of Products and Services</u>

The Organization's revenue consists of government grants, contract revenue and other grant income. The Organization's government grants and contract revenue are contracts which are conditioned upon certain performance requirements and/or the incurrence of qualifying expenses. Amounts received are recognized as revenue when the Organization has met the certain performance obligations and/or has incurred expenditures in compliance with specific provisions.

Transaction Price

The transaction price is the amount of consideration to which the Organization expects to be entitled in exchange for transferring goods and services to the customer.

Contract Balances

Funds received by the Organization relating to revenue generating activities of future reporting periods are recorded as deferred revenue on the statements of financial position. The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset at June 30, 2025 and 2024.

### Contributions

Contributions, which include unconditional promises to give, are recognized as revenue in the period the promise is made by the donor. Conditional promises to give are not recognized until the conditions on which they depend are met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift.

### Contributed Nonfinancial Assets

Contributed nonfinancial assets are recorded at the respective fair value of the goods or services received. There were no nonfinancial contributions during the years ended June 30, 2025 and 2024.

### Accounts Receivable

Accounts receivable represents contract revenue, federal contract revenue and government grant revenue due but not yet received at year-end. The Organization has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages. Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for accounts receivable held at June 30, 2025 and 2024 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. The opening balance of accounts receivable at July 1, 2023 was $5,689,714.

### Advertising

Advertising and marketing costs are expensed as incurred. Marketing expense was $28,474 and $69,333 for the years ended June 30, 2025 and 2024, respectively.

### Income Taxes

The Organization is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in the financial statements.

**Allocation Methodology for the Statement of Functional Expenses**

The costs of providing program and other activities are summarized on a functional basis in the statements of functional expenses. Certain costs have been allocated among program, management and general. Such allocations have been made by management on an equitable basis. All expenses have been allocated directly by cost except for benefits which were allocated based on time and effort.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly-liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash in a bank deposit account which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such account. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

**Use of Estimates**

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Intangible Assets**

Intangible assets represent intellectual property purchased by the Organization. The assets are stated at cost. Amortization is calculated using the straight-line method over the assets' useful life of 15 years.

**Property and Equipment**

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the time of donation. Depreciation is calculated using the straight-line method over the assets' useful lives as follows:

| | |
|---|---|
| Furniture and equipment | 3 - 10 years |
| Vehicles | 5 years |

## Note 3. Liquidity and Availability

The Organization had $17,548,425 and $20,060,421 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure as of June 30, 2025 and 2024, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

| | 2025 | 2024 |
|---|---|---|
| Financial assets, at year-end: | | |
| Cash and cash equivalents | $ 13,500,208 | $ 15,379,496 |
| Accounts receivable | 4,048,217 | 4,680,925 |
| Total financial assets | 17,548,425 | 20,060,421 |
| Less those unavailable for general expenditure within one year, restricted by donors for purpose | - - | - - |
| Financial assets available to meet cash needs for general expenditures within one year | $ 17,548,425 | $ 20,060,421 |

## Note 4. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2025 and 2024:

| | 2025 | 2024 |
|---|---|---|
| Contract revenue | $ 143,257 | $ 572,181 |
| Federal contract revenue | 3,436,506 | 2,892,858 |
| Government grants | 468,454 | 1,215,886 |
| | $ 4,048,217 | $ 4,680,925 |

## Note 5. Leases

The Organization leases office and storage space under various noncancellable operating lease agreements. Many of these leases include renewal options, and management evaluates the likelihood of exercising such options at lease commencement and upon significant events or changes in circumstances. As of the date these financial statements were available to be issued, the Organization had exercised renewal options for several of its leases, and these renewals are reflected in the calculation of right-of-use assets and lease liabilities in accordance with ASC 842. The detailed schedule of future minimum lease payments below presents the original lease terms; however, the right-of-use asset and lease liability balances as of year-end incorporate the impact of lease renewals that were reasonably certain to be exercised or had been exercised as of the report release date.

During the year ended June 30, 2021, the Organization rented office space for $2,000 per month. On August 1, 2021, the Organization renewed the lease agreement through July 31, 2025 for monthly payments of $5,000 per month. On February 1, 2022, the Organization entered into a separate lease agreement for additional space in the same building through January 1, 2025 for monthly payments of $10,000 per month. The lease renews for an additional two years through January 31, 2027.

On September 23, 2021, the Organization entered into a lease agreement for storage space and the lease has been renewed through September 22, 2025 for $1,100 per month.

On May 1, 2022, the Organization entered into a lease agreement for office space and the lease was renewed through April 30, 2024 for $275 per month. The lease has been terminated as of November 30, 2024.

On July 13, 2022, the Organization entered into a lease agreement for office space and the lease has been renewed through July 17, 2025 for $400 per month.

On December 1, 2023, the Organization entered into a lease agreement for facilities through December 31, 2024 for $10,000 per month. The lease has been renewed through December 31, 2025.

On June 5, 2024, the Organization entered into a lease agreement for office space through June 1, 2025 for $3,659 per month.

On August 2, 2024, the Organization entered into a lease agreement for office space through August 31, 2044 for $29,920 per month.

On September 8, 2024, the Organization entered into a lease agreement for office space through November 30, 2025 for $8,730 per month.

On October 23, 2024, The Organization entered into a lease agreement for office space through October 31, 2034 for $2,000 per month.

Total rent expense was $663,135 and $292,765 on these agreements during the years ended June 30, 2025 and 2024, respectively. As of June 30, 2025, the Organization’s weighted average discount rate was 4.24% and weighted average remaining lease term was 43.72 years. As of June 30, 2024, the Organization’s weighted average discount rate was 3.49% and weighted average remaining lease term was 2.49 years.

Future minimum rental payments under noncancellable operating leases are as follows:

| | |
|---|---|
| 2026 | $ 598,467 |
| 2027 | 414,961 |
| 2028 | 263,040 |
| 2029 | 263,040 |
| 2030 | 263,040 |
| Thereafter | 11,704,283 |
| Total future minimum lease payments | 13,506,831 |
| Less imputed interest | (7,650,819) |
| Present value of minimum lease payments | 5,856,012 |
| Less current portion | (357,003) |
| | $ 5,499,009 |

## Note 6. Property and Equipment

Property and equipment consisted of the following as of June 30, 2025 and 2024:

| | 2025 | 2024 |
|---|---|---|
| Land | $ 513,582 | $ 513,582 |
| Construction in progress | 9,961,302 | 1,229,034 |
| Furniture and equipment | 2,113,555 | 1,508,625 |
| Vehicles | 746,026 | 746,026 |
| | 13,334,465 | 3,997,267 |
| Less accumulated depreciation | (842,749) | (438,460) |
| | $ 12,491,716 | $ 3,558,807 |

## Note 7. Notes Payable and Subsequent Event

On September 2, 2021, the Organization entered into a loan agreement of $57,383 to purchase a vehicle. The loan requires monthly payments of $1,131 with an interest rate of 4.90% and matures in September 2025. The balance was $3,929 and $19,202 at June 30, 2025 and 2024, respectively.

Maturities on notes payable are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2026 | $ 3,929 |
| | $ 3,929 |

## Note 8. Subsequent Events

On December 10, 2025, the Organization invested $520,000 into a limited partnership, Necessity Ventures CMI2 Fund I LP, formed to make venture capital investments in start-up and venture stage companies focused on the defense and/or national security sectors.

On December 15, 2025, the Organization acquired substantially all of the assets of Guard Unit LLC for a total purchase price of $1,050,755. The acquisition included equipment, vehicles, trademarks, and certain contracts, with only specified liabilities assumed.

On January 14, 2026, the Organization purchased a townhouse property for $393,000. The acquisition was financed in part by a new loan of $314,400 from United Bank. Settlement charges and adjustments were capitalized as part of the property cost.

The Organization has evaluated all subsequent events through February 13, 2026, the date the financial statements were available to be issued. There are no additional subsequent events that require recognition or disclosure.

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Civil-Military Innovation Institute, Inc.
Morgantown, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statement of Civil-Military Innovation Institute, Inc. which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statement, and have issued our report thereon dated February 13, 2026.

## Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Civil-Military Innovation Institute, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Civil-Military Innovation Institute, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Civil-Military Innovation Institute, Inc.'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 Civil-Military Innovation Institute, Inc.'s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore. 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 Civil-Military Innovation Institute, Inc.'s financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**Purpose of This Report**

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

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
February 13, 2026

800.464.1976
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# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Civil-Military Innovation Institute, Inc.
Morgantown, West Virginia

## Report on Compliance for Each Major Federal Program

### *Opinion on Each Major Federal Program*

We have audited Civil-Military Innovation Institute, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Civil-Military Innovation Institute, Inc.'s major federal programs for the year ended June 30, 2025. Civil-Military Innovation Institute, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Civil-Military Innovation Institute, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2025.

### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*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 Civil-Military Innovation Institute, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Civil-Military Innovation Institute, Inc.'s compliance with the compliance requirements referred to above.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Civil-Military Innovation Institute, Inc.'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 Civil-Military Innovation Institute, Inc.'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 Civil-Military Innovation Institute, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Civil-Military Innovation Institute, Inc.'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 Civil-Military Innovation Institute, Inc.'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 Civil-Military Innovation Institute, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Civil-Military Innovation Institute, Inc. as of and for the year ended June 30, 2025, and have issued our report thereon dated February 13, 2026 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
February 13, 2026

## CIVIL-MILITARY INNOVATION INSTITUTE, INC.

**Schedule of Expenditures of Federal Awards**
For the Year Ended June 30, 2025

| Federal Grantor/Pass-Through Grantor Program or Cluster Title | Federal Assistance Listing Number | Pass-Through Entity Identifying Number(s) | Passed Through to Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| **U.S. Department of Defense** | | | | |
| Translational Research Advanced Capability Acceleration (TRACA) Methodology Development and Implementation | 12.431 | N/A | N/A | $ 5,454,499 |
| **U.S. Department of Treasury** | | | | |
| Coronavirus State and Local Fiscal Recovery Fund | 21.027 | N/A | N/A | 5,265,857 |
| Total Expenditures of Federal Awards | | | | $ 10,720,356 |

The accompanying notes are an integral part of this schedule.

**Notes to the Schedule of Expenditures of Federal Awards**
For the Year Ended June 30, 2025

## Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Civil-Military Innovation Institute, Inc. under programs of the federal government for the year ended June 30, 2025. 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 Requirement, Cost Principles,* and *Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of the Organization.

## 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 allowed or are limited as to reimbursement.

## Note 3. Indirect Cost Rate

The Organization has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

## Note 4. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

| | |
|---|---|
| Federal program revenue per Schedule of Expenditures of Federal Awards | $ 10,720,356 |
| Nonfederal program revenue | 5,000,000 |
| | $ 15,720,356 |

## CIVIL-MILITARY INNOVATION INSTITUTE, INC.

**Schedule of Findings and Questioned Costs**
For the Year Ended June 30, 2025

### I. Section I - Summary of Auditor's Results

*Financial Statements*

| | |
|---|---|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified. |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No. |
| Significant deficiency(ies) identified? | No. |
| Noncompliance material to financial statements noted? | No. |

*Federal Awards*

| | |
|---|---|
| Internal control over major programs: | |
| Material weaknesses identified? | No. |
| Significant deficiency(ies) identified? | No. |
| Type of auditor's report issued on compliance for major programs: | Unmodified. |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No. |
| Identification of major programs: | |
| Assistance Listing Number: 21.027 | Coronavirus State and Local Fiscal Recovery Fund |
| Dollar threshold used to distinguish between type A and type B programs | $750,000 |
| Did the auditee qualify as low-risk auditee? | Yes. |

### II. Section II - Financial Statement Findings — None.

### III. Section III - Federal Award Findings and Questioned Costs — None.

### IV. Section IV - Summary Schedule of Prior Audit Findings — None.