



**CATALYST CAMPUS FOR TECHNOLOGY
AND INNOVATION, INC. AND SUBSIDIARY**

Consolidated Financial Statements, Supplemental Information,

Schedule of Findings and Questioned Costs

And

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2022

And

Independent Auditors' Reports

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8
SUPPLEMENTAL INFORMATION	
Consolidated Schedule of Expenditures of Federal Awards	14
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	15
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	17
Schedule of Findings and Questioned Costs for the Year Ended December 31, 2022	20
Summary Schedule of Prior Audit Findings for the Year Ended December 31, 2022	22

INDEPENDENT AUDITORS' REPORT

Board of Directors
Catalyst Campus for Technology and Innovation, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Catalyst Campus for Technology and Innovation, Inc. and its wholly-owned subsidiary, Center for Technology, Research and Commercialization (non-profit organizations) (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catalyst Campus for Technology and Innovation, Inc. and its wholly-owned subsidiary, Center for Technology, Research and Commercialization as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the financial statements, the Organization adopted Financial Accounting Standards Board Accounting Standards Update (ASU) ASU 2016-02, *Leases*, effective January 1, 2022. Our opinion is not modified with respect to this matter.

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 available to be issued.

Auditors' Responsibility 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. 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 generally accepted auditing standards 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 Company'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 Company'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.

Report on Summarized Comparative Information

We have previously audited Catalyst Campus for Technology and Innovation, Inc. and its wholly-owned subsidiary, Center for Technology, Research and Commercialization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated July 19, 2022.

In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Supplemental Information

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 2, 2023 on our consideration of Catalyst Campus for Technology and Innovation, Inc. and its wholly-owned subsidiary, Center for Technology, Research and Commercialization's internal control over financial reporting and on our tests of their 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 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 Catalyst Campus for Technology and Innovation, Inc. and its wholly-owned subsidiary, Center for Technology, Research and Commercialization's internal control over financial reporting and compliance.

Stockman Kast Ryan + Co. LLP

August 2, 2023

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022 (with comparative totals for 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 229,720	\$ 1,273,898
Accounts receivable - billed	1,049,294	380,100
Contract assets	88,363	174,665
Prepaid expenses	<u>71,111</u>	<u>55,804</u>
Total current assets	1,438,488	1,884,467
OPERATING LEASE RIGHT OF USE ASSET	5,384,633	—
PROPERTY AND EQUIPMENT, NET	<u>10,943</u>	<u>12,914</u>
TOTAL ASSETS	<u>\$ 6,834,064</u>	<u>\$ 1,897,381</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 378,481	\$ 55,140
Payables to related parties	351,571	271,730
Accrued liabilities	607,463	228,387
Contract liabilities	259,047	1,095,803
Current portion of operating lease obligation	1,738,916	—
Current portion of notes payable	<u>—</u>	<u>129,994</u>
Total current liabilities	3,335,478	1,781,054
OPERATING LEASE OBLIGATION	<u>3,710,577</u>	<u>—</u>
TOTAL LIABILITIES	7,046,055	1,781,054
NET ASSETS		
Without donor restrictions	<u>(211,991)</u>	<u>116,327</u>
TOTAL	<u>\$ 6,834,064</u>	<u>\$ 1,897,381</u>

See notes to consolidated financial statements.

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022	2021
REVENUE AND SUPPORT		
Grants	\$ 9,136,461	\$ 7,862,705
Contracts	988,272	148,349
Sponsorship	301,033	178,691
Contributions	<u>27,895</u>	<u>143,030</u>
TOTAL REVENUE AND SUPPORT	<u>10,453,661</u>	<u>8,332,775</u>
EXPENSES		
Programs	8,994,619	7,227,596
General and administrative	<u>1,787,360</u>	<u>1,067,498</u>
TOTAL EXPENSES	<u>10,781,979</u>	<u>8,295,094</u>
CHANGE IN NET ASSETS	(328,318)	37,681
NET ASSETS, Beginning of year	<u>116,327</u>	<u>78,646</u>
NET ASSETS, End of year	<u>\$ (211,991)</u>	<u>\$ 116,327</u>

See notes to consolidated financial statements.

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022			2021
	Program	General and Administrative	Total	Total
EXPENSES				
Other direct costs	\$ 5,062,962	\$ —	\$ 5,062,962	\$ 4,505,982
Direct labor	1,963,986	—	1,963,986	1,328,721
Fringe benefits	809,376	381,472	1,190,848	769,486
Facility costs	807,590	290,022	1,097,612	490,386
Indirect labor	—	990,066	990,066	570,486
Professional services	263,954	94,661	358,615	412,947
Travel and training	32,696	11,743	44,439	77,756
Other expenses	54,055	19,396	73,451	139,330
TOTAL	<u>\$ 8,994,619</u>	<u>\$ 1,787,360</u>	<u>\$ 10,781,979</u>	
PERCENT OF TOTAL	83%	17%	100%	
TOTAL - 2021	<u>\$ 7,227,596</u>	<u>\$ 1,067,498</u>		<u>\$ 8,295,094</u>
PERCENT OF TOTAL - 2021	87%	13%		100%

See notes to consolidated financial statements.

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022 (with comparative totals for 2021)

	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ (328,318)	\$ 37,681
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	9,149	7,886
Amortization of right of use asset	2,010,647	—
Changes in operating assets and liabilities:		
Accounts receivable	(669,194)	(104,784)
Contract assets	86,302	(11,672)
Prepaid expenses	(15,307)	148,302
Accounts payable	323,341	16,814
Accrued liabilities	379,076	121,562
Contract liabilities	(836,756)	369,309
Payments on operating lease obligations	(1,945,786)	—
Net cash provided by (used in) operating activities	(986,846)	585,098
INVESTING ACTIVITIES		
Net cash used in investing activities —		
Purchases of property and equipment	(7,179)	—
FINANCING ACTIVITIES		
Issuance of payables to related parties	79,841	211,571
Repayment of notes payable	(129,994)	(61,579)
Net cash provided by (used in) in financing activities	(50,153)	149,992
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(1,044,178)	735,090
CASH AND EQUIVALENTS, Beginning of year	1,273,898	538,808
CASH AND EQUIVALENTS, End of year	\$ 229,720	\$ 1,273,898
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 289	\$ 3,383
Operating lease right of use asset obtained in exchange for new operating lease obligation	\$ 7,395,280	\$ —

See notes to consolidated financial statements.

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Catalyst Campus for Technology and Innovation, Inc. (CCTI) and its wholly-owned subsidiary, Center for Technology, Research and Commercialization (CTRAC) (collectively, the Organization) are non-profit organizations that help the Department of Defense embrace new and emerging technologies by supporting an ecosystem of research and development infrastructure, and facilitating opportunities for engagement among government, small business, research institutions and academia. The Organization utilizes public-private partnerships and programming to facilitate the development, integration and cross-pollination of technology among the military, academic and commercial sectors.

Principles of Consolidation — The consolidated financial statements include CCTI and CTRAC. All material intercompany accounts and transactions have been eliminated.

Basis of Presentation — The consolidated financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents — For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Revenue Recognition — Contracts and grants are recognized over the period covered by the contract or grant as services are provided and costs are incurred. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue from government grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreement. The Organization is electing the simultaneous release option practical expedient to allow donor restricted conditional grants that are recognized and used within the same reporting period as if they were unrestricted, without having to change the reporting of donor-restricted activity. The Organization had a conditional promise of \$7,664,131 at December 31, 2022, representing federal award grants to be recognized in future periods as the Organization incurs outlays eligible for reimbursement under the grant agreements.

Contract Assets and Liabilities — Contract assets arise when the Organization transfers goods or services to a customer in advance of receiving consideration from the customer. Accounts receivable – unbilled is a contract asset. Contract liabilities represent amounts received from customers in excess of revenue recognized to date. Deferred grant revenue is a contract liability.

Accounts Receivable — Contracts and grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The allowance is based on collection experience and other circumstances that may affect the ability of agencies and donors to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of December 31, 2022 and 2021, management deemed that no allowance for doubtful accounts was necessary on contracts and grants receivable.

Property and Equipment — Property and equipment are recorded at cost or, if donated, at the fair value at the date of donation. Acquisitions in excess of \$5,000 are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets, which range from 3-10 years.

Use of Estimates — The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes — The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. The Organization accounts for any uncertainty in income taxes by recognizing the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The Organization believes that it does not have any uncertain tax positions that are material to the consolidated financial statements.

Reclassifications — Certain reclassifications to prior year amounts have been made to conform to the current year presentation.

Change in Accounting Principles — In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires lessees to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in their statement of financial position. This standard also required additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases. The Organization adopted ASU 2016-02 effective January 1, 2022 and recorded operating lease right-of-use assets and operating lease obligations of approximately \$6,845,000 as of such date.

Subsequent Events — The Organization has evaluated subsequent events for recognition or disclosure through the date of the Independent Auditors' Report, which is the date the consolidated financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2022	2021
Cash and cash equivalents	\$ 229,720	\$ 1,273,898
Accounts receivable – billed	1,049,294	380,100
Contract assets	<u>88,363</u>	<u>174,665</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,367,377</u>	<u>\$ 1,828,663</u>

The Organization monitors its available cash resources on a weekly basis to ensure sufficient funds for each week. The Organization currently receives advances on its contracts to fund the operation of its programs. Those liquid assets are set aside for the sole use of the specific programs. Management is also pursuing other opportunities to build an additional cash reserve through commercial and other fundraising opportunities.

3. FUNCTIONAL EXPENSE ALLOCATION METHODS

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Fringe benefits are allocated using the percentage of labor costs incurred in support of each category. Indirect costs are allocated based on the proportion of non-labor direct costs in each category. Other expenses are allocated based on the proportion of non-labor indirect costs in each category.

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2022	2021
Computers	\$ 34,131	\$ 26,953
Furniture and equipment	<u>6,391</u>	<u>6,391</u>
Total	40,522	33,344
Less accumulated depreciation	<u>29,579</u>	<u>20,430</u>
Total property and equipment, net	<u>\$ 10,943</u>	<u>\$ 12,914</u>

5. LEASES

The Organization adopted ASU 2016-02 effective January 1, 2022. The Organization has operating leases for real estate, primarily with related parties. The Organization determines if an arrangement is a lease at the inception of a contract. Leases with an initial term of twelve months or less (short-term lease) are not recorded on the consolidated statement of financial position.

For leases that commenced before the effective date of ASU 2016-02, the Organization elected the permitted practical expedients to not reassess the following: (i) whether any expired or existing contracts contain leases; (ii) the lease classification for any expired or existing leases; and (iii) initial direct costs for any existing leases.

Right-of-use assets (ROU assets) represent the Organization's right to use an underlying asset during the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and operating lease liabilities of approximately \$6,845,000 were recognized at the commencement date, based on the net present value of fixed lease payments over the lease term. As the Organization's operating leases do not provide an implicit rate, and the Organization does not incur debt to determine an estimated incremental borrowing rate. The Organization uses a risk-free rate in determining the present value of lease payments.

Operating fixed lease expense is recognized on a straight-line basis over the lease term.

Lease costs incurred are as follows for the year ended December 31 2022:

Operating lease cost	\$ 2,268,272
Variable lease cost	<u>694,245</u>
Total	<u>\$ 2,962,517</u>

Other information:

Cash paid for amounts included in the measurement of lease liability:

Operating cash flows from operating lease	\$ 2,203,412
Weighted average remaining lease term	3.28 years
Weighted average discount rate	4.00%

Undiscounted cash flows for the operating leases as of December 31, 2022 are as follows:

2023	\$ 1,925,644
2024	1,794,551
2025	1,156,000
2026	<u>953,346</u>
Future minimum lease payments	5,829,541
Lease amount representing interest	<u>380,048</u>
Operating lease liability recognized on the consolidated balance sheet	<u>\$ 5,449,493</u>

See Note 8 for amounts paid to related parties.

6. NOTES PAYABLE

At December 31, 2021, the Organization had 2 loans issued by a bank bearing interest at 1%, in the aggregate amount of \$129,994, pursuant to the Paycheck Protection Program (the PPP), of the CARES Act. The loans were repaid during 2022.

7. EMPLOYEE BENEFIT PLAN

Employees of the Organization, who are over 21 and have completed 500 hours of service within six months, are eligible to participate in a defined contribution retirement plan (the Plan). Employees are automatically enrolled into the Plan at a rate of 3% unless another amount is elected. The Organization additionally makes a matching contribution of 100% of the first 3% and 50% of the next 5% an employee contributes to the Plan. The Organization contributed \$67,814 and \$54,382 to the Plan during the years ended December 31, 2022 and 2021, respectively.

8. RELATED PARTY TRANSACTIONS

Related organizations that employ members of the board of directors or are owned by companies that employ members of the board of directors made contributions totaling \$50,395 and \$143,000 to the Organization during the years ended December 31, 2022 and 2021, respectively. The Organization paid \$63,000 and \$69,000 to board members for services rendered during the years ended December 31, 2022 and 2021, respectively.

The Organization has service contracts with companies that employ members of the board of directors or are owned by companies that employ members of the board of directors. Revenues and expenses related to these contracts were \$127,528 and \$438,822, respectively, during the year ended December 31, 2022. Revenues and expenses related to these contracts were \$98,199 and \$112,388, respectively, during the year ended December 31, 2021. The Organization has accounts payable related to the companies of \$348,571 and \$271,730 at December 31, 2022 and 2021, respectively.

The Organization has lease agreements with companies that employ members of the board of directors or are owned by companies that employ members of the board of directors. Lease costs related to these lease agreements was \$1,922,265 and \$1,735,549 during the years ended December 31, 2022 and 2021, respectively.

The Organization incurred federal award expenditures with companies that employ members of the board of directors or are owned by companies that employ members of the board of directors. The total expenditures related to federal awards were \$1,640,455 and \$1,661,758 during the years ended December 31, 2022 and 2021, respectively.

9. CONTINGENCIES

The Organization receives a significant portion of its revenues from government grants and contracts, all of which are subject to audit by the Federal government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government agency. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

10. CONCENTRATIONS

The Organization receives substantially all of its revenues from the government. Approximately 72% and 82% of total revenue was received from the federal government and state government during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the federal government accounted for 71% and 95%, respectively, of total accounts receivable.

The Organization maintains its cash in bank accounts, which at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

11. SUBSEQUENT EVENTS

On February 27, 2023, the Organization entered into a \$1,000,000 line of credit agreement with a bank that matures February 27, 2024. The line bears interest at the Wall Street Journal prime rate plus 1.25%, with a floor of 8.00%.

**CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC.
AND SUBSIDIARY**

SUPPLEMENTAL INFORMATION

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

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

Federal Agency/Pass-Through Entity And Cluster or Program	CFDA Number	Amount Expended
U.S. Department of Defense:		
Air Force:		
Air Force Defense Research Sciences Program	12.800	\$ 4,678,813
Navy:		
Naval Information Warfare Center Pacific	12.335	2,812,244
NASA:		
Office of Stem Engagement (OSTEM)	43.008	<u>19,800</u>
TOTAL		<u>\$ 7,510,857</u>

Notes To Schedule:

1. This schedule includes the federal awards activity of the Organization and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.
2. The Organization provided \$198,276 to subrecipients during the year ended December 31, 2022.
3. The Organization has elected to not use the 10 percent *de minimus* indirect cost rate to charge costs to their federal awards.

**INDEPENDENT AUDITORS' 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***

Board of Directors
Catalyst Campus for Technology and Innovation, Inc.
Colorado Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Catalyst Campus for Technology and Innovation, Inc. and its wholly-owned subsidiary, Center for Technology, Research and Commercialization (non-profit organizations) (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 2, 2023.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. 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 Organization'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.

Stockman Kast Ryan + Co. LLP

August 2, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

Board of Directors
Catalyst Campus for Technology and Innovation, Inc.
Colorado Springs, Colorado

Opinion on Each Major Federal Program

We have audited Catalyst Campus for Technology and Innovation, Inc. and its wholly-owned subsidiary, Center for Technology, Research and Commercialization's (non-profit organizations) (collectively, the Organization) 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 the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization'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 the Organization'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 the Organization'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.

Stockman Kast Ryan + Co. LLP

August 2, 2023

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I – SUMMARY OF AUDITORS' RESULTS

CONSOLIDATED FINANCIAL STATEMENTS

1. Type of auditors' report issued was:
☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed
2. Internal control over financial reporting:
 (A) Material weakness(es) identified? ☐ Yes ☒ No
 (B) Significant deficiency(ies) identified? ☐ Yes ☒ None reported
3. Noncompliance material to consolidated financial statements noted? ☐ Yes ☒ No

FEDERAL AWARDS

1. Internal control over major programs:
 (A) Material weakness(es) identified? ☐ Yes ☒ No
 (B) Significant deficiency(ies) identified? ☐ Yes ☒ None reported
2. Type of auditors' report issued on compliance for major programs:
☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No
4. The Organization's major program was:

CFDA Number	Cluster/Program
12.335	Naval Information Warfare Center Pacific
5. Dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
6. The Organization qualified as a low-risk auditee? ☒ Yes ☐ No

(Continued)

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reportable.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.

(Concluded)

CATALYST CAMPUS FOR TECHNOLOGY AND INNOVATION, INC. AND SUBSIDIARY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reportable.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.