

Analytic Services Inc. and Subsidiaries

Consolidated Financial Statements
Year Ended September 30, 2021

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Independent Auditor's Report

Board of Directors
Analytic Services Inc. and Subsidiaries
Falls Church, Virginia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Analytic Services Inc. and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of September 30, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Analytic Services Inc. and subsidiaries as of September 30, 2021, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2022 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company'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 Company's internal control over financial reporting and compliance.

BDO USA, LLP

April 7, 2022

Analytic Services Inc. and Subsidiaries

Consolidated Balance Sheet (in Thousands)

September 30, 2021

Assets

Cash and cash equivalents, including restricted cash of \$129,801	\$	557,131
Investments, including restricted investments of \$544,398		956,008
457/SERP deferred compensation investments		761
Receivables		89,493
Prepaid expenses and other assets		2,220
Land and land development		5,359
Property and equipment, net		3,731
Intangible assets, net		9,213
Goodwill		12,458

Total Assets \$ 1,636,374

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$	722,407
457/SERP deferred compensation obligation		761
Deferred revenue, including restricted amount of \$674,199		676,003
Deferred rent		1,540
Leasehold tenant allowance deferred		1,416
Lines of credit		5,203
Total liabilities		<u>1,407,330</u>

Commitments and contingencies (Note 7)

Net assets – without donor restrictions 229,044

Total Liabilities and Net Assets \$ 1,636,374

See notes to consolidated financial statements.

Analytic Services Inc. and Subsidiaries

**Consolidated Statement of Activities (in Thousands)
Year Ended September 30, 2021**

Revenue:	\$ 8,098,974
Expenses:	
Contract expenses	\$ 8,058,333
Corporate expenses	8,620
Total expenses	<u>8,066,953</u>
Change in net assets without donor restrictions (before investment income)	32,021
Investment income, net	<u>24,027</u>
Change in net assets without donor restrictions	56,048
Net assets without donor restrictions:	
Beginning	<u>172,996</u>
Ending	<u><u>\$ 229,044</u></u>

See notes to consolidated financial statements.

Analytic Services Inc. and Subsidiaries

Consolidated Statement of Functional Expenses (in Thousands)

Year Ended September 30, 2021

	Directly Identifiable Contract Costs	Management and General	Total Expenses
Expenses			
Professional and contract services	\$ 7,961,206	\$ 3,712	\$ 7,964,918
Salaries, wages and other related costs	50,090	30,182	80,272
Facility operating costs	-	425	425
Rents and leases	-	4,718	4,718
Travel and relocation costs	759	294	1,053
General and administrative	1,608	3,792	5,400
Information technology	-	5,824	5,824
Depreciation and amortization	-	4,284	4,284
Interest expense	-	59	59
Total Expenses	\$ 8,013,663	\$ 53,290	\$ 8,066,953

See notes to consolidated financial statements.

Analytic Services Inc. and Subsidiaries**Consolidated Statement of Cash Flows (in Thousands)****Year Ended September 30, 2021**

Cash flows from operating activities:	
Change in net assets	\$ 56,048
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	4,284
Realized and unrealized gains, net	22,625
Deferred rent and leasehold tenant allowance deferred	(796)
Payments for contingent consideration in excess of amounts recorded at acquisition date	(4,626)
Change in assets and liabilities:	
Increase in:	
Receivables	(7,345)
Prepaid expenses and other assets	(197)
Increase (Decrease) in:	
Accounts payable and accrued expenses	41,038
Deferred revenue	(421,612)
Net cash used in operating activities	<u>(310,581)</u>
Cash flows from investing activities:	
Purchase of investments	(99,753)
Proceeds from sales of investments	245,254
Purchase of land and land development	(4)
Purchase of property and equipment	(804)
Net cash provided by investing activities	<u>144,693</u>
Cash flows from financing activities:	
Proceeds from lines of credit	60
Repayment of lines of credit	(46)
Payments of contingent consideration	(2,700)
Net cash used in financing activities	<u>(2,686)</u>
Net decrease in cash and cash equivalents (including restricted cash)	(168,574)
Cash and cash equivalents (including restricted cash):	
Beginning	<u>725,705</u>
Ending	<u><u>\$ 557,131</u></u>
Supplemental Cash Flow Information	
Cash paid for interest	<u><u>\$ 59</u></u>

See notes to consolidated financial statements.

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1: Nature of Activities and Significant Accounting Policies

Nature of activities: Analytic Services Inc. (“ANSER”) is a nonprofit corporation, chartered in California in July 1958 to provide studies and analyses for scientific, educational and charitable purposes for the public welfare and national defense.

On January 31, 2017, ANSER closed on the acquisition of Advanced Technology International (“ATI”), a not-for-profit company based in Summerville, SC that organizes and manages research and development collaborations on behalf of the federal government and industry. ATI was organized as a private nonprofit corporation on May 18, 1998 as a controlled affiliate of the South Carolina Research Authority (“SCRA”). SCRA is a South Carolina public nonprofit corporation established in 1983 by an act of the South Carolina General Assembly. Subsequent to ANSER’s acquisition of ATI from SCRA, ATI became a wholly-owned subsidiary of ANSER.

On June 30, 2018, ANSER closed on the acquisition of Innovative Analytics & Training (“IAT”), a company that provides advanced analytic methods for data collection, information analysis and decision making to the U.S. Intelligence Community. IAT was organized as a privately owned Maryland limited liability company established in 2004. Subsequent to ANSER’s acquisition of IAT, IAT became a wholly-owned subsidiary of ANSER.

On October 31, 2018, ANSER closed on the acquisition of Domain X Technologies, LLC (“DXT”), a company that provides enhanced modeling and simulation capability. DXT was organized as a privately owned Virginia limited liability company established in 2008. Subsequent to ANSER’s acquisition of DXT, DXT became a wholly-owned subsidiary of ANSER.

On July 31, 2020, ANSER closed on the acquisition of Professional, Acquisition, and Technical Services, Inc. (“PATS”), a company that delivers professional services in the areas of International and Foreign Military Sales, program management support and acquisition program support. PATS was organized in New Hampshire in 2020 as a spin-off of Windmill International, Inc. Subsequent to ANSER’s acquisition of PATS, PATS became a wholly-owned subsidiary of ANSER.

All references to the “Company” herein refer to the consolidated operations of ANSER, ATI, IAT, DXT and PATS. A summary of the Company’s significant accounting policies follows:

Basis of accounting: The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

Basis of presentation: The Company follows the Not-for-Profit Entities topic of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under this topic, the Company is required to report information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Intercompany transactions between ANSER, ATI, IAT, DXT, and PATS, if any, have been eliminated within the consolidated financial statements.

Restricted assets: Cash and cash equivalents and certain investments as recorded, include funds received for contract agreements and grants that may be held for expenditures related to those contract agreements and grants. The cash and cash equivalent balances and the investment balances are released from restriction as the costs underlying the contract agreements and grants are incurred and are expected to be released within the upcoming year. As a result, the Company had approximately \$674.2 million of restricted cash and investments, which corresponds to the same amount of related deferred revenue for such contracts and grants as of September 30, 2021.

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

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Company's cash and cash equivalents are invested in highly liquid securities placed with financial institutions. The Company's investment practice limits exposure to concentrations of credit risk, with a majority of the investments being held in treasury bills.

The Company's accounts receivable result from work completed on contracts which are primarily with the U.S. government. The Company does provide credit to commercial customers in the normal course of business and performs ongoing credit evaluations on certain of its customers' financial condition, but generally does not require collateral to support such receivables.

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

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

Cash and cash equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at September 30, 2021, include funds in commercial analyzed checking accounts, insured cash sweep accounts, money market funds invested in U.S Government obligations and repurchase agreements collateralized by U.S. Treasury Bills held through a trust services arrangement with a financial institution. At times, these balances exceeded the federally insured amounts. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant financial risk on cash. Due to timing of receipt of customer payments, as well as payments to subcontractors and suppliers, portions of the Company's bank balances may have been uncollateralized at various times during the year ended September 30, 2021. The Company's cash and cash equivalent balances were approximately \$557.1 million.

Investments: Investments with readily determinable fair values and all investments in debt securities are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to investment income within the consolidated statement of activities. All cash and cash equivalents held by the investment advisors, regardless of maturity, are considered investments.

Receivables: Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. The majority of the Company's receivables are comprised of amounts billed on federal contracts and costs in excess of amounts billed on federal contracts. Such recoverable costs are billable when expenditures are incurred. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered past due if any portion of the receivable balance is outstanding for more than 45 days. Unbilled accounts receivable are included in receivables and consist of services performed prior to billing to the federal government. Billings usually occur in the month after the services are performed or in accordance with specific contractual provisions.

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Property, equipment, land and land development: The Company capitalizes all property and equipment with a cost of \$5,000 or more. Property and equipment is recorded at cost and depreciated on the straight-line basis over estimated lives of three to seven years.

Leasehold improvements are amortized over the lesser of the remaining life of the lease or the estimated useful life of the improvements. Land, including its development, is recorded at cost.

The Company has entered into an operating lease agreement for its corporate office, which contains provisions for future rent increases or periods in which rent payments are reduced (abated). In accordance with GAAP, the Company records rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected as a separate line item in the accompanying consolidated balance sheet.

The Company's lease agreement for its corporate office also contains provisions for a tenant improvement allowance. In accordance with GAAP, the amounts related to payment received and the landlord improvements made are recognized as a reduction in rent expense and an increase in depreciation expense, respectively, over the life of the lease. These amounts are recorded as a tenant leasehold allowance within property and equipment, net and as leasehold tenant allowance deferred in the accompanying consolidated balance sheet.

The above GAAP presentation is for financial reporting purposes only and is not included in the Company's indirect rate structure.

Intangible assets: Intangible assets are recorded at estimated fair value, upon acquisition in a business combination. These assets consist of customer relationships, which are amortized over 92 months, a non-compete agreement, which was amortized over 44 months, and the ATI trade name, which is amortized over 188 months. No intangible assets other than goodwill were identified related to the other ANSER acquisitions.

Goodwill: Goodwill arising from the acquisitions of ATI, IAT, DXT and PATS is recognized as an asset at the acquisition date and is measured as the excess of the sum of the consideration transferred less the acquisition-date amounts of the identifiable assets acquired net of the liabilities assumed. Goodwill is not amortized but is reviewed for impairment at September 30 or more frequently if events or changes in circumstances indicate that impairment might exist. The Company performs a qualitative assessment to determine whether it is more likely than not that the fair value of the goodwill is less than its carrying amount. The Company determined, based on the qualitative assessment, that it was not more likely than not that the fair value of the goodwill was less than its carrying amount. No impairment was identified or recorded during the year ended September 30, 2021.

Valuation of long-lived assets: The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. No impairment was identified or recorded on long-lived assets for the year ended September 30, 2021.

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

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

During the year ended September 30, 2021, the Company adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), using the modified retrospective approach. The Company applied the ASU only to contracts that were not completed as of the date of adoption. The adoption led to certain reclassifications due to the right of offset within the balance sheet, which reduced both unearned revenue and accounts receivable by \$601.8 million. Revenue is now accounted for under Accounting Standards Codification 606 ("ASC 606"). ASC 606 includes a framework for analyzing potential revenue transactions by identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the Company satisfies a performance obligation. ATI's performance obligations associated with its management of the applied research and development efforts include overall management of the research project program during the solicitation, review and selection process, overall management of the research project program during the execution of the project award; and the individual research project agreement awards. The Company's performance obligation for its non-consortium management role are the individual project agreement awards.

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

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

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

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

Revenue from time-and-materials contracts is recognized using an input method on the basis of man-hours utilized, plus other reimbursable contract costs incurred during the period.

Under the fixed price OTA's, ATI is compensated for services performed using a Fixed Management Rate ("FMR") applied to all funding obligated to project level performer agreements. ATI recognizes a portion of the total FMR revenue at research project award and the remaining portion is recognized ratably as costs

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

are incurred over the life of the research project or at completion or termination of the research project agreement. Each research project selected and awarded by the government forms the basis of a distinct performance obligation. The government is responsible for technical oversight of the projects and approving performer costs as progress is made or milestone deliverables are completed. Costs are incurred and revenue is recognized as government acceptance is received. Total revenue from goods and services transferred over time was \$8.1 billion and total revenue from goods and services transferred at a point in time was \$7.3 million for the year ended September 30, 2021.

The following table presents opening and closing balances of receivables and unearned revenue for the year ended September 30, 2021 (in thousands):

September 30,		2021	2020
Accounts receivable	\$	89,493	\$ 82,148
Deferred revenue		676,003	1,097,615

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

Certain of ATI's contracts are considered to be collaborative arrangements in accordance with Accounting Standards Codification ("ASC") 808 *Collaborative Arrangements* ("ASC 808"). Payments received by ATI from other participants in the collaborative arrangements are accounted for in accordance with ASC 808 which states, "Payments between participants pursuant to a collaborative arrangement that are within the scope of other authoritative accounting literature on income statement classification should be accounted for using relevant provisions of that literature." Because the counterparty is a customer, current ATI contracts pursuant to collaborative arrangements are accounted for as exchange transactions and gross amounts are recorded for both revenue and related expenses in accordance with ASC 606.

Income Taxes: The Company has been granted exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under state legislation. The Company is subject to income tax on unrelated business income under Section 511 of the Internal Revenue Code. PATS is structured as a for-profit subsidiary of ANSER and is subject to federal and state income tax.

Functional allocation of expense: The functional cost incurred for providing services on various programs and other activities has been summarized in the consolidated statement of functional expenses. Direct costs are categorized based on type of expense incurred. Indirect costs have been allocated among the categories based on causal beneficial relationship of fringe benefits with their associated labor. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Company.

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

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

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

At September 30, 2021, the Company's net assets consisted entirely of net assets without donor restrictions.

Fair value of financial instruments: The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses and lines of credit approximate fair value because of the short maturity of these instruments. The fair value of investments is determined using quoted market prices of the corporate equities, fixed income securities, and money market funds and the net asset values of hedge funds.

Use of estimates: The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Liquidity and Availability of Financial Resources

As of September 30, 2021, financial assets and liquidity resources available within one year for general expenditures, liabilities and other obligations as they come due are as follows (in thousands):

September 30, 2021

Cash and cash equivalents, including restricted cash of \$129,801	\$	557,131
Short-term investments		948,782
Receivables		89,493
<hr/>		
Total financial assets and liquidity resources available within one year	\$	1,595,406

To manage liquidity, the Company structures its financial assets to be available as general expenditures, liabilities, and other obligations come due. The Company also invests cash in excess of daily requirements in cash equivalents and short-term investments that earn interest income. Finally, ANSER has access to \$65.0 million in lines of credit and ATI has access to a \$10.0 million line of credit as further discussed in Note 7, of which \$69.8 million were unused in the aggregate at September 30, 2021.

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 3. Investments

Investments, including 457b deferred compensation investments, which are included in 457/SERP deferred compensation investments on the balance sheet, consist of the following (in thousands) at:

September 30, 2021	Cost	Cumulative Unrealized Gain	Fair Market Value
Treasury bills	\$ 791,680	\$ 155	\$ 791,835
Corporate equities	79,590	30,678	110,268
Fixed income securities	34,841	1,499	36,340
Money market funds	6,749	2	6,751
Hedge funds	9,461	2,114	11,575
	<u>\$ 922,321</u>	<u>\$ 34,448</u>	<u>\$ 956,769</u>

Investment income for the year ended September 30, consists of the following (in thousands):

	2021
Interest and dividends	\$ 2,067
Net realized and unrealized gains on investments	22,625
Investment fees	(665)
	<u>\$ 24,027</u>

Interest income includes interest on overnight repurchase investments of excess cash.

Note 4. Receivables

Receivables consist of the following (in thousands):

September 30, 2021

Receivables from U.S. Government and Commercial Customers:

Prime and subcontracts:	
Billed	\$ 45,294
Unbilled	44,359
Total gross receivables from U.S. Government and Commercial Customers	<u>89,653</u>
Less provision for doubtful accounts	(160)
Total receivables, net	<u>\$ 89,493</u>

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 5. Property and Equipment

Property and equipment, accumulated depreciation, and depreciation expense as of the year ended September 30, 2021 is as follows (in thousands):

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Software	3-5 years	\$ 10,003	\$ 9,999	\$ 4	\$ 91
Furniture and equipment	3-7 years	9,779	8,435	1,344	803
Leasehold improvements	Life of lease	2,156	1,198	958	288
Tenant leasehold allowance	Life of lease	5,271	3,846	1,425	450
		<u>\$ 27,209</u>	<u>\$ 23,478</u>	<u>\$ 3,731</u>	<u>\$ 1,632</u>

Note 6. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following (in thousands):

September 30, 2021

Accounts payable	\$ 710,054
Accrued paid time off	4,187
Accrued salaries and payroll taxes	6,216
Other accrued expenses	1,950
	<u>\$ 722,407</u>

Note 7. Commitments and Contingencies

Operating leases: The Company leases office space and equipment under non-cancellable leases through July 2026. The corporate office consists of approximately 74,000 square feet and is located in the Skyline office park in Falls Church, VA. The Company also leases a 2,000 square foot facility in Colorado Springs, CO, a 5,600 square foot facility in Belcamp, MD, and the ATI Summerville, SC office of approximately 64,000 square feet.

Total rent expense under the operating leases was approximately \$4.7 million for the year ended September 30, 2021.

Future minimum rental payments for office space and equipment, as of September 30, 2021 (in thousands) was:

Years ending September 30:

2022	\$ 5,039
2023	4,835
2024	4,869
2025	2,516
2026	1,542
	<u>\$ 18,801</u>

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

U.S. Government contract audits: Costs billed by the Company to the U.S. government pursuant to Department of Defense contracts are subject to audit by the Defense Contract Audit Agency (“DCAA”). Government auditors have approved the ANSER’s indirect cost recovery rates through September 30, 2020 and ATI’s indirect cost recovery rates through June 30, 2019. As a result, ANSER has entered into final indirect cost rate/allocation agreements with the Defense Contract Management Agency (“DCMA”) or DCAA settling indirect rates through September 30, 2020.

The Company is of the opinion that any adjustments as a result of the audits outstanding, will not have a significant effect on its consolidated financial position. Substantially all of the Company’s revenue and accounts receivable were derived from contracts or subcontracts with the U.S. Government. The Company’s federal programs are subject to financial and compliance audits by grantor agencies. Instances of material noncompliance may result in disallowed expenditures and affect the Company’s continued participation in specific programs. That amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the Company expects such amounts, if any, to be immaterial.

Lines of credit: ANSER has had a line of credit with Morgan Stanley Bank, N.A. (the “Bank”) since 2013, which was increased to \$45 million on June 8, 2017. The agreement is a Liquidity Asset Line (originally a Portfolio Loan Account) and is secured by a portion of the long-term investment portfolio at Morgan Stanley. The interest rate is the 30-day London Interbank Offered Rate (“LIBOR”) market index rate plus 1.00% for an interest rate of 1.08% as of September 30, 2021. There is no fee for non-use. The line of credit can be terminated at any time by the Bank. ANSER had a balance outstanding of approximately \$5.2M on the line of credit as of September 30, 2021. Total interest expense related to this borrowing for the year ended September 30, 2021 was approximately \$59,000.

ANSER also established a \$5 million line of credit with Goldman Sachs on December 12, 2016. This line of credit was increased to \$20 million on September 27, 2021. Use of the line is collateralized by securities and other property owned by ANSER and held at Goldman Sachs and is subject to a borrowing base to determine the available borrowing amount at any time. The interest rate is variable and adjusts daily at the 30-day Secured Overnight Financing Rate (“SOFR”) rate plus 1.25%. Goldman Sachs reserves the right to change the interest rate at any time in its sole discretion. There were no borrowings against this line of credit during the year ended September 30, 2021.

ATI has an unsecured revolving loan agreement with a bank which expires on July 5, 2022. Maximum borrowings are limited to \$10 million. Management expects this agreement to be renewed, but can provide no such assurance. There were no amounts outstanding at September 30, 2021. Borrowings may be incurred to satisfy financial obligations related to business needs or contract activity. The interest rate as of September 30, 2021 was the 1-month LIBOR rate plus 1.8%. No interest expense was incurred during the year ended September 30, 2021.

Legal matters: From time to time, the Company may be subject to various legal proceedings, which are incidental to the ordinary course of business. In the opinion of management, there are no legal proceedings to which the Company is a party which are expected to result in material monetary exposure for the Company.

Note 8. Retirement Plans

The Company has defined contribution retirement plans in which substantially all employees participate. Under the defined contribution retirement plan, ANSER makes contributions to the Teachers Insurance and Annuity Association (“TIAA”), based on a percentage of the payroll of participants in the plan. ATI also makes similar contributions to a retirement plan managed by the Principal Group. The Company’s policy is to fund accrued costs currently and to charge defined contribution retirement plan costs to operations as they accrue. The Company’s cost under the defined contribution retirement plans was approximately \$4.4 million for the fiscal year ended September 30, 2021.

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 9. Post-Retirement Benefits

ANSER maintains a postretirement health and welfare plan (the "Plan"). Funding for the Plan is held in a trust. The Plan is administered by ANSER. Plan assets are invested according to an investment policy approved by the Board of Directors. Plan assets are held by a financial institution, as Trustee, and are managed by the Trustee's independent investment manager. Under the Plan, the annual contribution is the amount calculated by an actuary in order to meet the Employee Retirement Income Security Act ("ERISA") requirement. The funded status of the plan is included within prepaid expenses and other assets on the accompanying balance sheet.

The funded status, key assumptions, benefit costs and other required disclosures are as follows as of and for the year ended September 30 (in thousands):

	2021
Accumulated postretirement benefit obligation	\$ 1,991
Plan assets at fair value	2,971
Funded status of the Plan	<u>\$ 980</u>
Weighted-average assumptions used to determine benefit obligation:	
Discount rate	2.42%
Dental trend rate	3.00%
Weighted-average assumptions used to determine net periodic postretirement benefit cost:	
Discount rate	2.05%
Expected return on assets	7.50%
Net periodic postretirement benefit cost:	\$ (29)
Retiree contributions	129
Benefits paid	183
Amounts included in net assets outside net periodic postretirement benefit cost *	\$ 360

* The amount to be amortized into cost in 2021 is not significant.

The Plan is structured such that the employer portion of medical coverage is capped at a specific amount. The limit for the Plan was exceeded during the year ended September 30, 2008, and therefore ANSER's liability for the Plan is not affected by changes in health care costs. Accordingly, health care cost trend rates have been excluded from the calculation of the net period postretirement benefit cost for the year ended September 30, 2021, and the benefit obligation at September 30, 2021.

One investment objective of the Plan is to produce capital appreciation. Another important objective is the desire for preservation of capital. Both annual and five-year horizons are utilized for measuring performance, as there are inevitably short-run fluctuations which will cause variations in investment results. Based on experience and the known probabilities under all of the circumstances, and recognizing that various uncertainties are involved in any investment program, the target has been to have a return objective of at least an increase of 7.50% over a five-year time horizon, and the assumption is accordingly made that a 7.50% overall long-term rate will be realized.

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

The Plan assets are diversified between domestic exchange traded funds, mutual funds and money market funds. With this diversification and investment in broader market funds, there is reasonable assurance that no single security or class of securities will have a disproportionate impact on the Plan assets.

The Plan allocates its assets as follows at September 30, 2021:

Asset Category

ETF's – fixed income	4%
ETF's – equities	56%
Mutual funds – fixed income	18%
Mutual funds – equities	20%
Money market funds	2%

Fair value, as defined in ASC 820, *Fair Value Measurement* (“ASC 820”), is described in Note 11 to the consolidated financial statements. In determining the appropriate levels for the Plan, ANSER performs a detailed analysis of the assets and liabilities that are subject to fair value disclosures.

The ETFs, money market funds and mutual funds are classified as Level 1 instruments due to the underlying assets having observable market-based inputs.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of September 30, 2021 (in thousands):

	Level 1	Level 2	Level 3	Total
Exchange traded funds – fixed income	\$ 114	\$ -	\$ -	\$ 114
Exchange traded funds – equities	549	-	-	549
Mutual funds – fixed income	605	-	-	605
Mutual funds – equities	1,651	-	-	1,651
Money market funds	51	-	-	51
	<u>\$ 2,970</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,970</u>

Estimated future benefit payments at September 30, 2021, are as follows (in thousands):

Years ending September 30:

2022	\$	88
2023		96
2024		90
2025		102
2026		121
2027-2030		719
	<u>\$</u>	<u>1,216</u>

Employer contributions for fiscal year 2021 are not required.

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 10. Supplemental Employee Retirement Plan

ANSER has a Section 457(b) supplemental employee retirement plan (the “457(b) Plan” or “SERP”). Under the terms of the 457(b) Plan, eligible employees elect to deposit a percentage of their compensation into the 457(b) Plan. Employee deposits and accumulations are accounted for as an asset and offsetting liability on the Company’s balance sheet until they are distributed to the participants. The amount of deposits and related accumulations at September 30, 2021 were \$761,000.

Note 11. Fair Value Measurements

ASC 820 establishes a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. The Topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

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

Level 2: Observable market-based inputs or unobservable inputs corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

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

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy at September 30, 2021 (in thousands):

	Level 1	Level 2	Level 3	Net Asset Value ("NAV")	Total
Assets at fair value:					
Corporate equities:					
Information technology	\$ 23,378	\$ -	\$ -	\$ -	23,378
Consumer discretionary	11,052	-	-	-	11,052
Financials	12,982	-	-	-	12,982
Health care	13,606	-	-	-	13,606
Industrials	11,403	-	-	-	11,403
REITs	6,177	-	-	-	6,177
Energy	2,281	-	-	-	2,281
Consumer staples	5,398	-	-	-	5,398
Materials	4,910	-	-	-	4,910
Communication services	8,383	-	-	-	8,383
Other	10,698	-	-	-	10,698
	110,268	-	-	-	110,268
Fixed income:					
Treasury bills	-	791,835	-	-	791,835
Corporate bonds	-	24,010	-	-	24,010
Government securities	-	12,330	-	-	12,330
	-	828,175	-	-	828,175
Money market funds	6,751	-	-	-	6,751
Hedge funds (a)	-	-	-	11,575	11,575
	\$ 117,019	\$ 828,175	\$ -	\$ 11,575	\$ 956,769
Liabilities at fair value:					
Deferred compensation	\$ -	\$ 761	\$ -	\$ -	761

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Hedge funds recorded at NAV are not actively traded, and fair market values for similar assets are not readily attainable.

- (a) Hedge funds – multi-strategy: This category of funds is characterized by their ability to dynamically allocate capital among a broad range of different asset classes and strategies that fall within several traditional hedge fund disciplines. Asset classes and strategies typically utilized in multi-strategy funds include, but are not limited to, relative value fundamental equity, event driven/merger arbitrage, statistical arbitrage, fixed income, and currency arbitrage. Provided that the participant has held its shares for at least 12 months, 25 percent of a participant's interest may be redeemed quarterly (entire balance may be redeemed over four quarters). The notice for redemption is required to be submitted within 90 calendar days plus five business days of the desired redemption date. Shares are redeemable at their net asset value as of the end of the respective quarter. Fair value is based on the information provided by the management of the fund, including audited financial statements, which reflects the fund's share of the fair value of the net assets of the fund, and any other relevant factors determined by its sponsor. The fund has applied the fair value guidance for measuring its investments, using the practical expedient. As such, the fund fair values its investments using its NAV without any further adjustment.

The deferred compensation is based on observable inputs of the related assets and is, therefore, considered a Level 2 liability.

The changes in assets measured at NAV on a recurring basis for the year ended September 30, 2021 are summarized as follows (in thousands):

Beginning balance	\$	6,987
Purchases		5,050
Redemptions		(861)
Total net gain		399
Ending balance	\$	<u>11,575</u>

The Company's contingent consideration is also recorded at fair value based on Level 3 inputs. The change in the Company's contingent consideration during the year ended September 30 are summarized as follows (in thousands):

Beginning balance	\$	7,326
Payments		(7,326)
Ending balance	\$	<u>-</u>

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 12. Intangible Assets Other Than Goodwill

The following table contains information regarding the Company's intangible assets as of September 30, 2021 (in thousands):

	Customer Contracts	Non-Compete Agreement	Trade Name	Total
Acquired fair market value	\$ 19,219	\$ 1,331	\$ 2,281	\$ 22,831
Accumulated amortization	11,608	1,331	679	13,618
Balance at September 30, 2021	\$ 7,611	\$ -	\$ 1,602	\$ 9,213
Amortization period months remaining	36	-	132	

Amortization expense was \$2.7 million for the year ended September 30, 2021.

Estimated aggregate amortization expense for the years ending September 30 (in thousands):

	Customer Contracts	Trade Name	Total
2022	\$ 2,529	\$ 146	\$ 2,675
2023	2,529	146	2,675
2024	2,553	146	2,699
2025	-	146	146
2026	-	146	146
Thereafter	-	872	872

The amortization of customer contracts, non-compete agreement and trade name is included in corporate expenses in the Consolidated Statement of Activities.

Note 13. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (“the COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The COVID-19 pandemic led to many domestic and international authorities implementing safety measures including closure of “non-essential” businesses, stay at home orders, border closures and other travel restrictions. As a result of the COVID-19 outbreak, the Company reduced access to its offices, implemented a voluntary work from-home policy for its workforce, and restricted employee travel. Certain consortia managed by ATI have participated in COVID-19 related response efforts, including Operation Warp Speed. ANSER was also involved in supporting Department of Defense initiatives related to COVID-19 response. Both ANSER and ATI received federal government funding for participating in this response.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, and future results of operations. The Company is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global resources to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021. The Company continues to assess the impact to its day to day operations, including continued

Analytic Services Inc. and Subsidiaries

Notes to Consolidated Financial Statements

access to contracts from the federal government. The Company cannot reasonably estimate the length or severity of this pandemic. Should it continue, the Company could potentially experience an adverse impact on its financial position, changes in net assets and cash flows in fiscal 2022. As of the date of this report, the Company has not incurred a material negative impact to its operations.

Note 14. Subsequent Events

The Company has evaluated subsequent events from September 30, 2021 through April 7, 2022 (the date of the audit report and the date the financial statements were ready to be issued).

On October 1, 2021, the ANSER line of credit with Morgan Stanley Bank, N.A. was increased to \$55 million.

On December 15, 2021, ANSER closed on the acquisition of InTec, LLC, a leading provider of technical and management expertise for the intelligence community and federal civilian customer missions with offices in Fairfax, Virginia. ANSER paid [REDACTED], utilizing the Morgan Stanley line of credit to finance the acquisition. A substantial portion of the consideration is expected to be allocated to customer relationships and goodwill. The Company also recorded a contingent liability of approximately \$3.2 million related to achievement of certain customer contract contingencies in place through February of 2024.

Analytic Services Inc. and Subsidiaries

Schedule of Expenditures of Federal
Awards and Reports Required by
Government Auditing Standards and
the Uniform Guidance
Year Ended September 30, 2021

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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
Analytic Services Inc. and Subsidiaries
Falls Church, 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, the consolidated financial statements of Analytic Services Inc. and its subsidiaries (the “Company”), which comprise the consolidated balance sheet as of September 30, 2021, 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 April 7, 2022.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

BDO USA, LLP

April 7, 2022



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Analytic Services Inc. and Subsidiaries
Falls Church, Virginia

Report on Compliance

Opinion on Compliance for Each Major Federal Program

We have audited Analytic Services Inc. and its subsidiaries’ (the “Company”) 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 Company’s major federal programs for the year ended September 30, 2021. The Company’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

The Company’s consolidated financial statements include the operations of Advanced Technology International (“ATI”), which expended \$7,373,353,889 in federal awards which is not included in the Company’s schedule of expenditures of federal awards during the year ended September 30, 2021. Our audit, described below, did not include the operations of ATI because such expenditures are included in a stand-alone schedule of expenditures of federal awards that is issued in a separate report.

In our opinion, the Company complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe 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 Company’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 Company’s federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the types of compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company'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 the Company's compliance with the requirements of the 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 the Company'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 Company'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 Company'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 consolidated financial statements of the Company as of and for the year ended September 30, 2021 and have issued our report thereon dated April 7, 2022, which contained an unmodified opinion on those consolidated financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BDO USA, LLP

April 7, 2022

Analytic Services Inc. and Subsidiaries
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2021

Program or Cluster Title/Federal Grantor/Pass-Through Grantor	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Research and Development Cluster:			
U.S. Department of Defense:			
Secretary of Defense	12.RD		\$ 9,386,239
Joint Military Service Organizations	12.RD		7,121,107
Army	12.RD		506,587
Navy	12.RD		130,757
Air Force	12.RD		11,281
Pass-Through Program From:			
American Systems	12.RD	W91C9G-18-D-0001	58,762
ARServices, Limited	12.RD	HDTRA120C0013	283,193
Artlin Consulting	12.RD	HQ003420F0303	150,235
Booz Allen Hamilton	12.RD	N00178-04-D-4024	1,175,554
Bowhead Business and Technology Solutions, LLC	12.RD	HQ0034-17-C-0090	1,005,519
BTAS	12.RD	OASIS-S704-WMI	250,274
ByteCubed LLC	12.RD	47QFMA20F0022	76,212
Credence Management Solutions	12.RD	1081-DOMOPS-ANS01	4,615
Data Systems Analysts, Inc	12.RD	ANSE-0219-7900-745	218,454
Frontier Technology, Inc.	12.RD	FTI-ID05140018015	3,563,106
Huntington Ingalls Industries	12.RD	W911QY-19-D-0004	190,909
Johns Hopkins University	12.RD	N00024-13-D-6400	663,066
Lumbee Tribe Enterprises, LLC	12.RD	M67854-19-F-7208	50,142
Miracle Systems	12.RD	NORAD-ANSER-002 Peterson, AFB	182,218
MIT Lincoln Lab	12.RD	FA8702-15-D-0001	46,949
Patricio Enterprises	12.RD	N00178-09-D-5794	1,985,910
PM2 Strategies	12.RD	0302S-2021-01	785
Science Applications International Corporation	12.RD	GS00Q140ADU329	2,164,634
SOS International	12.RD	SA 21-101	62,976
Strategic Partnership Global Institute	12.RD	FA8650-19-2-6983	103,616
Survive Engineering Co.	12.RD	FA8075-21-D-0001	3,407
Systems Planning and Analysis, Inc	12.RD	N0030-20-C-0015	347,665
Whitney, Bradley & Brown, Inc	12.RD	M9549420D4005	938,010
Total U.S. Department of Defense			30,682,182
Department of Homeland Security			
Department of Homeland Security	97.RD		811,500
Pass-Through Program From:			
Deloitte	97.RD	HSBP1017F00290	109,588
Total Department of Homeland Security			921,088
Non-Defense U.S. Government Agencies			
Non-Defense U.S. Government Agencies	93.RD		274,153
Non-Defense U.S. Government Agencies COVID-19	93.RD		68,470
Pass-Through Program From:			
DEXIS	93.RD	GS00Q14OADS704/FA872116F0003	101,923
Inklings, LLC	93.RD	80NSSC18P2940	31,871
Linc, LLC	93.RD	LINC-SUB-ANSER-17-0002	5,252
Lumbee Tribe Enterprises, LLC	93.RD	M67854-21-F-7202	277,884
Manufacturing Technical Solutions	93.RD	NNM13AA04Z/NNM14AA02T	416,107
National Safe Skies Alliance	93.RD	PARAS0027	21,113
Northrop Grumman Systems Corp	93.RD	HHM402-15-D-0029/002	199,907
Perspecta	93.RD	PO-017898	504,862
Total Non-Defense U.S. Government Agencies			1,901,542
Independent Defense Agencies			
Independent Defense Agencies	12.RD		117,144
Pass-Through Program From:			
Chimera	12.RD	HDTRA1-17-D-0002	1,144,857
Concord Crossroad	12.RD	W15QKN-17-C-0122	4,209
Total Independent Defense Agencies			1,266,210
Total Expenditures of Federal Awards – Research and Development Cluster			\$ 34,771,022

The accompanying notes are an integral part of this schedule.

Analytic Services Inc. and Subsidiaries

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Analytic Services Inc. and Subsidiaries (the "Company") under programs of the federal government for the year ended September 30, 2021. 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 the Company, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Company.

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.

Note 3. Indirect Cost Rate

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

Note 4. U.S. Government Contract Audits

Costs charged to federal awards are subject to audits by government auditors. An audit of these costs has not been completed for the year ended September 30, 2021. The Company is of the opinion that any adjustments of costs for the year ended September 30, 2021 will not have a significant effect on its federal awards.

Note 5. Total Expenditures of Federal Awards of Subsidiaries

Total expenditures per the Schedule include expenditures of the Company and its subsidiaries, with the exception of federal awards for Advanced Technology International ("ATI"), which is one of the Company's subsidiaries. Total expenditures of federal awards of \$7,373,353,889 for ATI are included in a stand-alone schedule of expenditures of federal awards that is issued in a separate report in accordance with the Uniform Guidance.

Analytic Services Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2021**

Section II - Financial Statement Findings

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

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

Section III - Federal Award Findings and Questioned Costs

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

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