

**STEPHENSON STELLAR CORPORATION
SHREVEPORT, LOUISIANA**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**STEPHENSON STELLAR CORPORATION
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2024 AND 2023**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENTS OF ACTIVITIES	5
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Directors
Stephenson Stellar Corporation
Shreveport, Louisiana

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Stephenson Stellar Corporation (Stellar or the Company), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses, cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stellar as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 audits. We believe that the audits evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matters

Adoption of Accounting Standards

As discussed in Note 1 to the financial statements, management has adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-13: *Current Expected Credit Loss*. Our opinion is not modified with regard to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

Responsibilities of Management for the Financial Statements (Continued)

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 Stellar's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

Board of Directors
Stephenson Stellar Corporation

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2024, on our consideration of the Organization'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 Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
December 9, 2024

STEPHENSON STELLAR CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,281,425	\$ 753,358
Certificate of Deposit	-	241,834
Accrued Interest	-	3,168
Accounts Receivable	1,966,918	2,869,209
Other Current Assets	200,340	229,555
Total Current Assets	3,448,683	4,097,124
OTHER ASSETS		
Right-of-Use Assets	144,719	280,842
Security Deposits	29,387	30,387
Total Other Assets	174,106	311,229
Total Assets	\$ 3,622,789	\$ 4,408,353
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 150,415	\$ 163,453
Lease Liability, Current Portion	129,995	135,891
Line of Credit	750,000	-
Refundable Advance	803,893	-
Accrued Compensation and Annual Leave	912,894	888,738
Total Current Liabilities	2,747,197	1,188,082
NONCURRENT LIABILITIES		
Lease Liability, Noncurrent Portion	17,347	147,343
Total Liabilities	2,764,544	1,335,425
NET ASSETS		
Without Donor Restrictions	858,245	3,072,928
Total Liabilities and Net Assets	\$ 3,622,789	\$ 4,408,353

See accompanying Notes to Financial Statements.

STEPHENSON STELLAR CORPORATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
REVENUE		
Program Revenue	\$ 8,604,124	\$ 8,815,881
COSTS AND EXPENSES		
Program:		
Contract Costs	8,067,285	6,992,129
Supporting Services:		
Management and General	2,751,522	2,126,633
Total Costs and Expenses	10,818,807	9,118,762
CHANGE IN NET ASSETS	(2,214,683)	(302,881)
Net Assets - Beginning of Year	3,072,928	3,375,809
NET ASSETS - END OF YEAR	\$ 858,245	\$ 3,072,928

See accompanying Notes to Financial Statements.

STEPHENSON STELLAR CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024 AND 2023

	2024		
	Program Services	Management and General	Total
Salaries, benefits and payroll taxes	\$ 5,269,659	\$ 1,364,198	\$ 6,633,857
Other Expense	1,474,648	366,573	1,841,221
Other services	692,623	-	692,623
Professional fees	-	600,648	600,648
Travel	251,661	196,886	448,547
Occupancy	217,729	176,749	394,478
Conferences and training	101,547	14,011	115,558
Other direct costs	59,418	-	59,418
Insurance	-	32,457	32,457
Total Expenses	<u>\$ 8,067,285</u>	<u>\$ 2,751,522</u>	<u>\$ 10,818,807</u>

	2023		
	Program Services	Management and General	Total
Salaries, Benefits, and Payroll Taxes	\$ 4,989,203	\$ 685,068	\$ 5,674,271
Other Services	1,131,719	-	1,131,719
Other Direct Costs	50,930	-	50,930
Occupancy	228,421	191,549	419,970
Travel	291,385	255,890	547,275
Professional Fees	-	628,697	628,697
Conferences and Training	145,341	33,404	178,745
Insurance	-	33,473	33,473
Other Expense	155,130	298,552	453,682
Total Excluding Unallowable	<u>\$ 6,992,129</u>	<u>\$ 2,126,633</u>	<u>\$ 9,118,762</u>

See accompanying Notes to Financial Statements.

STEPHENSON STELLAR CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,214,683)	\$ (302,881)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Gain on Certificate of Deposit	-	3,166
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	902,291	(1,457,824)
Accrued Interest	3,168	(3,168)
Other Assets	29,215	(71,392)
Right-of-Use Asset	136,123	142,100
Security Deposit	1,000	-
Accounts Payable and Accrued Expenses	(13,038)	(98,881)
Refundable Advance	803,893	
Accrued Compensation and Annual Leave	24,156	(166,198)
Lease Liability	(135,892)	(139,708)
Deferred Revenue	-	-
Net Cash Used by Operating Activities	(463,767)	(2,094,786)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Certificate of Deposit	241,834	-
Purchase of Certificate of Deposit	-	(245,000)
Net Cash Provided (Used) by Investing Activities	241,834	(245,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Draw on Line of Credit	1,000,000	-
Repayment on Line of Credit	(250,000)	-
Net Cash Provided by Financing Activities	750,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	528,067	(2,339,786)
Cash and Cash Equivalents - Beginning of Year	753,358	3,093,144
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,281,425	\$ 753,358
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITY		
Noncash Transactions Arising from the ASC 842 Adoption:		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ -	\$ 413,179

See accompanying Notes to Financial Statements.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Stephenson Stellar Corporation (Stellar or the Company) provides computer cybersecurity consulting services for analyzing and engineering solutions for security vulnerabilities for space-based computer engineering and logistics systems. Stellar has its headquarters in Shreveport, Louisiana, and conducts operations in various corporate and client locations throughout the United States. Stellar was incorporated in September 2018 in Florida.

Basis of Accounting

Stellar prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This basis of accounting involves the application of accrual accounting.

Revenue Recognition and Accounts Receivable

Stellar has revenue resulting from research and development activities with government and commercial customers. Government contracts and grants are generally considered to be nonexchange transactions and outside the scope of ASC 606. Research and development activities are recognized over time based on the terms and conditions of the contract. Research and development contracts can be priced at fixed price (FP), time and material (T&M), or cost-plus fixed fee (CPFF). For T&M contracts revenue is recognized on hours incurred, extended at contract rates. CPFF revenue represents the costs incurred, plus a portion of the fee earned based on incurred costs for each performance obligation. Performance obligation is satisfied over time as the research and development activities are completed.

Accounts receivable are generated from subcontracting arrangements with commercial entities that perform work for U.S. governmental entities. Accounts receivable are stated at gross value less an allowance for credit loss. Credit is extended to commercial customers after an evaluation of the customer's financial condition, and generally collateral is not required. Management's determination of the allowance for credit loss based on an evaluation of the accounts receivable, past experience, current economic conditions, a reasonable and supportable forecast of future conditions, and other risks inherent in the accounts receivable portfolio. At June 30, 2024 and 2023, management has determined that no allowance for collectability is required.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Contributions Receivable

Stellar's government contracts and grants are generally considered to be nonexchange or contribution transactions. These contracts and grants can either be passed through another organization or direct with the federal, state, or local entity. Contracts and grants for research and other activities are recognized as the conditions of the grant have been met, which is typically when the qualifying and allowable costs are incurred. Grants and contributions that represent unconditional promises to give in the future are reported as revenue and an asset when received, measured at fair value. Other restricted grants are reported as restricted support and donor restricted net assets.

Unbilled federal awards receivable including cost incurred which will be billed in accordance with contract terms and delivery schedules, as well as amounts billable upon final execution of awards, award completion, milestones or completion of indirect rate negotiations. Performance-based fees, including award and incentive fees, are considered earned when Stellar can demonstrate satisfaction of performance, based upon historical experience, or has received contractual notification from the customer that the fee has been earned. To the extent that a revised estimate affects contract profit or revenue previously recognized, Stellar records the cumulative effect of the revision in the period in which the facts requiring the revision become known. Generally, unbilled federal awards receivable are expected to be billed and collected within one year and have been recorded at amounts expected to be realized upon final settlement.

Contracts with agencies of the federal government are subject to periodic funding by the contracting agency concerned. Expenditures on federal government contracts and grants, including indirect costs, are subject to audit by the federal government and adjustment pursuant to negotiations between Stellar and government representatives.

Conditional promises to give are not recognized as revenue until barriers prescribed by the contract or grant agreements are overcome. Stellar records cash received in advance of meeting conditions as refundable advances on the statement of financial position. As of June 30, 2024 and 2023, conditional contributions totaled \$70,450,000 and \$75,713,000, respectively, for which barriers per the contract or grant agreement have not yet been overcome.

Contributions receivable are evaluated for collectability based on historical experience and knowledge of the collectability of specific balances. Management has determined that all contributions receivable are fully collectible.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reconciliation of Revenue to the Statement of Activities

The following table reconciles revenue by type to the statement of activities:

	2024	2023
Revenue from Contract with Customers	\$ 823,243	\$ 2,497,834
Contributions	7,780,881	6,318,047
Total	\$ 8,604,124	\$ 8,815,881

Net Assets

Stellar has presented its financial statements in accordance with accounting principles generally accepted in the United States of America. This accounting and reporting method classifies various resources by their nature and purpose, based on the presence or absence of donor-imposed restrictions, into two classes of net assets.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Restricted contribution for which the purpose is fulfilled in the same year are considered unrestricted. Stellar had no net assets with donor restrictions as of June 30, 2024 or 2023.

Leases

Stellar leases office space. Stellar determines if an arrangement is a lease at inception. Operating leases are included in the ROU assets and lease liability on the statements of financial position.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The ROU assets represents Stellar's right to use an underlying asset for the lease term and the lease liability represents Stellar's obligation to make lease payments arising from the lease. The ROU assets and lease liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, Stellar uses the risk-free rate based on information available at commencement date in determining the present value of lease payments. The ROU assets also includes the lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Stellar will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Stellar has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or ROU assets on the statements of financial position.

Stellar's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, Stellar considers factors such as if Stellar has obtained substantially all of the rights to the underlying asset through exclusivity, if Stellar can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Major Client Concentrations Risk

During the years ended June 30, 2024 and 2023, the Company had significant contracts with three customers comprising 90% and 98% of revenue. At June 30, 2024 and 2023, the Company had significant receivables from three and two customers representing 83% and 91% of total receivables, respectively.

Risks and Uncertainties

Reliance on prime contracts with the U.S. government and subcontracts with prime contractors with government contracts subjects Stellar to risks associated with public budgetary restrictions and uncertainties, discrepancies between awarded contract amounts and actual revenues, and cancellation at the option of the government. Stellar attempts to mitigate these risks by staffing only to meet reasonably anticipated average workloads, by using subcontractors to handle peak workloads, and by obtaining termination benefit contract provisions. Cancellation of any of Stellar's major subcontracts, however, could have a material adverse effect on the Company.

Using Estimates in Preparing Financial Statements

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

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, the expenses require allocation on a reasonable basis that is consistently applied. Accordingly, salaries, benefits, and payroll taxes are allocated based on estimated time and effort. Other costs have been allocated based on the benefit received.

Income Taxes

Stellar qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is classified as other than a private foundation for Internal Revenue Service (IRS) purposes. Such organizations are taxed only on unrelated business income. Stellar has no unrelated business income; therefore, no tax provision has been established.

Stellar has evaluated the effect of guidance in ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management believes that the Company continues to satisfy the requirements of a tax-exempt organization at June 30, 2024 and 2023. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined Stellar had no uncertain income tax positions at June 30, 2024 and 2023.

Adoption of New Accounting Standard

At the beginning of FY 2024, Stellar adopted the Financial Accounting Standards Board Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, as amended, which modifies the measurement of expected credit losses. Stellar adopted this new guidance using the modified retrospective transition method. The adoption of this ASU changed how the allowance for credit losses is determined but did not have a material impact on the Organization's financial statements.

Subsequent Events

In preparing the financial statements, management has evaluated subsequent events through December 9, 2024, the date on which the financial statements were available to be issued.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 2 LIQUIDITY AND AVAILABILITY

Stellar’s practice is to maintain 75 days (two times its average collection period) of cash and invest the remainder in short-term certificates of deposit. None of the financial assets are subject to donor or contract restrictions that make them unavailable for general expenditure within one year of the financial statement date. Stellar monitors contract performance and results of operations closely to ensure adequate resources are available. Stellar’s financial assets available for general expenditures within one year are as follows as of June 30:

	2024	2023
Cash and Cash Equivalents	\$ 1,281,425	\$ 753,358
Certificate of Deposit	-	241,834
Accrued Interest	-	3,168
Accounts Receivable	1,966,918	2,869,209
Total	\$ 3,248,343	\$ 3,867,569

NOTE 3 CASH AND CASH EQUIVALENTS

The Company maintains all of its cash and cash equivalents in bank accounts that may at times exceed federally insured limits. The Federal Deposit Insurance Corporation (FDIC), up to specified limits, insures the Company’s bank accounts with financial institutions in the U.S. Balances in excess of FDIC limits are uninsured.

NOTE 4 CERTIFICATE OF DEPOSIT & FAIR VALUE MEASUREMENT

The certificate of deposit is stated at fair value. In accordance with U.S. GAAP, Stellar uses the following input levels to measure fair value. The input levels for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities within active markets, such as stock quotes.

Level 2 – Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data. Such inputs may be the underlying market values of traded equities in an investment that is not itself traded on the market.

Level 3 – Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

The certificate of deposit is included in the Level 2 category. Valuation is based on third party broker statements.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 5 RECEIVABLES

Receivable consist of the following as of June 30:

	2024	2023
Billed, Net Allowance of \$-0- (contract asset)	\$ 743,847	\$ 1,228,258
Contribution Receivable	1,223,071	1,640,951
Total	\$ 1,966,918	\$ 2,869,209

Unbilled receivables consist primarily of timing differences between billings (which are determined based upon contractually set milestones) and amounts recognized as earned (which are based upon costs incurred and contract performance). The opening balance of contract assets as of July 1, 2022, totaled \$475,950. The opening balance of contribution receivable as of July 1, 2022, totaled \$935,433.

NOTE 6 PENSION PLAN

The Company established a 401(k) pension plan on July 1, 2020. Employees are eligible to participate in the plan once they have attained the age of 21. Employee contributions are allowed up to the maximum permitted by law. The Company may match deferral contributions, contribute a profit-sharing contribution, or a safe harbor nonelective contribution of 3% of compensation. For those employees eligible to make salary deferrals, Stellar may make a contribution up to 6% of compensation. The safe harbor contribution is immediately 100% vested. Employees vest in employer profit sharing and matching contributions per the below schedule.

Years of Vesting Service	Percentage Vested
Less Than 2	0 %
2 but Less Than 3	20 %
3 but Less Than 4	40 %
4 but Less Than 5	60 %
5 but Less Than 6	80 %
6 or More	100 %

Safe harbor and discretionary profit sharing contributions expense incurred by Stellar for the fiscal years ended June 30, 2024 and 2023, totaled \$185,000 and \$380,843, respectively.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 7 OPERATING LEASE COMMITMENT

Stellar is obligated under noncancellable leases for office space with expiration dates occurring through September 2025. The leases specify scheduled rent increases over the lease term. The obligations under the leases are represented on the statements of financial position as a lease liability which is the discounted future lease payments. The payments are discounted using an average risk free of 2.85% as a practical expedient which is the weighted average discount rate. This was the weighted average discount rate for both 2024 and 2023. A ROU asset is recorded on the statements of financial position that represents the occupancy rights Stellar has relative to the office space. The weighted average remaining lease term as of June 30, 2024 and 2023 is 1.1 and 2.1 years, respectively. Cash paid for amounts included in the measurement of the operating lease liability totaled \$141,867 and \$142,099 for the years-end June 30, 2024 and 2023, respectively. In August 2024, Stellar entered into an extension of one of its operating lease through April 2027.

Total operating lease costs amounted to \$142,099 and \$142,099 for the years ended June 30, 2024 and 2023, respectively.

Year Ending June 30,	Operating Lease Payment
2025	\$ 132,047
2026	17,389
Total	149,436
Discount	(2,094)
Total Present Value	\$ 147,342

NOTE 8 CONTINGENCY

From time-to-time, Stellar has been involved in various legal proceedings, including employment disputes, in the normal course of business. In management's opinion, the Company is not currently involved in any legal proceedings that, individually or taken together, could have a material effect on the financial condition, operations, and/or cash flows of the Company.

NOTE 9 LINE OF CREDIT

Stellar has a revolving bank line of credit with a total borrowing amount of \$2,000,000. Amounts drawn against the line of credit are payable on demand and bear interest at the bank's adjusted SOFR Rate. At June 30, 2024, interest was 11%. The line is collateralized by substantially all of Stellar's assets.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 10 RELATED PARTY TRANSACTIONS

The Company's affiliate organization Stephenson Endeavors Corporation (SEC) has common management with the Company. The Company entered into a subcontract with SEC in which it purchased \$1,352,179 worth of services from SEC. The Company has outstanding receivables from SEC as of June 30, 2024 and 2023, in the amount of \$582,421 and \$1,141,041, respectively.

STEPHENSON STELLAR CORPORATION
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2024



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**STEPHENSON STELLAR CORPORATION
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024**

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>	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	10



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
Stephenson Stellar Corporation
Shreveport, Louisiana

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 financial statements of Stephenson Stellar Corporation ("Stellar"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stephenson Stellar Corporation'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Stephenson Stellar Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Stephenson Stellar Corporation'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 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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stephenson Stellar Corporation’s 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 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*.

Stephenson Stellar Corporation’s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Stephenson Stellar Corporation’s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Stephenson Stellar Corporation’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



CliftonLarsonAllen LLP

Arlington, Virginia
December 9, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE,
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Stephenson Stellar Corporation
Shreveport, Louisiana

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Stephenson Stellar Corporation's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Stephenson Stellar Corporation's major federal programs for the year ended June 30, 2024. Stephenson Stellar Corporation'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, Stephenson Stellar Corporation 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 June 30, 2024.

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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Stephenson Stellar Corporation 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 Stephenson Stellar Corporation'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 Stephenson Stellar Corporation's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Stephenson Stellar Corporation'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 Stephenson Stellar Corporation's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 Stephenson Stellar Corporation'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 Stephenson Stellar Corporation'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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

We have audited the financial statements of the Stephenson Stellar Corporation as of and for the year ended June 30, 2024, and have issued our report thereon dated December 9, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia
December 9, 2024

STEPHENSON STELLAR CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal ALN Number	Federal Expenditures	Pass-through to Subrecipients
U.S. Department of Defense			
Basic and Applied Scientific Research Program			
Research and Development Cluster:			
SDA STEC Support FA240123C0010	12.UO1	\$ 2,491,375	-
AFRL 5GITL FA8750-21-C-1502	12.UO1	1,580,345	-
AFRL SSCR FA8750-21-C-1503	12.UO1	<u>3,140,691</u>	-
Total Research and Development Cluster:		<u>7,212,411</u>	<u>\$ -</u>
Total U.S. Department of Defense		<u>7,212,411</u>	
Total Expenditures of Federal Awards		<u>\$ 7,212,411</u>	

See accompanying Notes to Schedule of Expenditures of Federal Awards.

STEPHENSON STELLAR CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Stephenson Stellar Corporation (Stellar or the Company) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of 2 CFR 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 Stephenson Stellar Corporation, it is not intended to and does not present the financial position, changes in assets, or cash flows of Stephenson Stellar Corporation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule presents the activity of all federal award programs of the Company for the year ended June 30, 2024.

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.

Basis of Accounting

The accompanying Schedule has been prepared using the accrual basis of accounting. This basis of accounting is fully described in Note 1 to the Company's financial statements.

Nature of Operations

Stephenson Stellar Corporation provides computer cybersecurity consulting services for analyzing and engineering solutions for security vulnerabilities for space-based computer engineering and logistics systems. Stellar has its headquarters in Shreveport, Louisiana, and conducts operations in various corporate and client locations throughout the United States. Stellar was incorporated in September 2018 in Florida.

STEPHENSON STELLAR CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company's Research and Development Grant Programs consist of the following:

Grant	Federal ALN Number
U.S. Department of Defense	
Basic and Applied Scientific Research Program Research and Development Cluster:	
SDA STEC Support FA240123C0010	12.UO1
AFRL 5GITL FA8750-21-C-1502	12.UO1
AFRL SSCR FA8750-21-C-1503	12.UO1

Reimbursements

The Company requests reimbursement through the monthly billing of customers.

Costs

Grant and contract costs include all direct labor and other direct costs. Indirect costs include grant and contract performance costs such as vacation/holiday expense, employee medical insurance, payroll taxes and service fees, professional services, rent, and other expenses. Indirect costs are allocated to grants and contracts based on the level of monthly fringe benefit, overhead, and general and administrative expenses incurred.

Subsequent Event

The Company has evaluated events and transactions for potential recognition or disclosure in the statement of reimbursements and costs through December 9, 2024, the date the schedule of expenditures of federal awards was available to be issued.

STEPHENSON STELLAR CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2024

NOTE 3 INDIRECT COSTS

Indirect costs are costs that are incurred by the Company for common or joint objectives and cannot be identified specifically with a particular contract or grant. These costs also are known as facilities and administrative costs.

The Company did not use the 10% de minimis cost rate for indirect costs.

NOTE 4 CONTINGENCIES

Although the Company's DoD Research and Development Grant Programs have been audited in accordance with federal requirements, these programs may still be subject to other financial and compliance audits. The amount, if any, of expenditures which may be disallowed as a result of other financial and compliance audits by the granting agency cannot be determined at this time, although the Company expects such amounts, if any, to be immaterial.

**STEPHENSON STELLAR CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported

Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes X None Reported

2. Type of auditors’ report issued on compliance for major federal programs: Unmodified

3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.513 (a)? Yes X No

Identification of Major Federal Programs

ALN Number(s)	Name of Federal Program or Cluster
12.UO1	Basic and Applied Scientific Research And Development Cluster

Dollar threshold used to distinguish between type A and type B programs \$750,000

Auditee qualified as low-risk auditee? X Yes No

**STEPHENSON STELLAR CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024**

Section II – Financial Statement Findings

2024-001 Financial Reporting Finding

Type of Finding: Material Weakness – Revenue Recognition

Condition: The overstatement of revenue could lead to inaccurate financial reporting, which may affect decision-making by stakeholders and compliance with grant requirements.

Criteria: The criteria for revenue recognition should align with the applicable accounting standards and as outlined in the Stellar’s accounting policies.

Context: This was the only misstatement related to this issue.

Cause: The error in revenue recognition may have resulted from a misunderstanding of the applicable accounting standards or a lapse in internal controls over financial reporting.

Effect: The below is the effect on the financial statements:

- Overstatement of revenue approximately \$804,000
- Understatement of deferred revenue approximately \$804,000

Repeat Finding: N/A

Recommendation: We recommend additional contract and revenue recognition review procedures be put in place to prevent future errors.

Views of Responsible Officials of the Auditee:

Stephenson Stellar Corporation received revenues in accordance with a nonfederal cooperative endeavor agreement. As the fiscal year concluded, cost incurred did not equal revenue and a correction of the misstatement was made to defer revenue received in excess of cost incurred.

Section III – Federal Award Findings

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**STEPHENSON STELLAR CORPORATION
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2024**

Department of Defense

Stephenson Stellar Corporation respectfully submits the following corrective action plan for the year ended June 30, 2024.

Audit period: July 1, 2023 – June 30, 2024

The findings from the schedule of findings and questioned costs are discussed below.

FINDINGS—FINANCIAL STATEMENT AUDIT

2024-001 Material Weakness – Revenue Recognition

Recommendation: Enhance internal controls to ensure accurate revenue reporting including review of grant terms and revenue recognition policies.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding:

Stephenson Stellar Corporation received revenues in accordance with a nonfederal cooperative endeavor agreement. As the fiscal year concluded, cost incurred did not equal revenue and a correction of the misstatement was made to defer revenue received in excess of cost incurred.

Name of the contact person responsible for corrective action:

Planned completion date for corrective action plan:

The action taken was completed in November 2024.

If the Department of Defense has questions regarding this plan, please call Barbra Honkus, Director of Finance and Administration at 814.241.5499.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.