



# Concurrent Technologies Corporation

**Consolidated Financial Statements,  
Schedule of Expenditures of Federal  
Awards, and Independent Auditor's  
Reports Required by *Government Auditing  
Standards* and the Uniform Guidance**  
Years ended June 30, 2022 and 2021

## **Concurrent Technologies Corporation**

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**Consolidated Financial Statements, Schedule of Expenditures of  
Federal Awards, and Independent Auditor's Reports Required by  
*Government Auditing Standards* and the Uniform Guidance**  
Years ended June 30, 2022 and 2021

# Concurrent Technologies Corporation

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## **Independent Auditor's Report**

To the Board of Directors  
**Concurrent Technologies Corporation**  
Johnstown, Pennsylvania

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the consolidated financial statements of Concurrent Technologies Corporation and its subsidiaries (collectively, the Corporation), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years 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 the Corporation as of June 30, 2022 and 2021, 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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the 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 Corporation'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.

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### ***Auditor's Responsibilities for the Audit of the Consolidated 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 Corporation'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 Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

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



prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2022 on our consideration of the Corporation'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 Corporation'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 Corporation's internal control over financial reporting and compliance.

*BDO USA, LLP*

McLean, Virginia  
September 23, 2022

## **Consolidated Financial Statements**

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**Concurrent Technologies Corporation**  
**Consolidated Statements of Financial Position**

<i>June 30,</i>	2022	2021
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,810,572	\$ 4,924,814
Investments	15,905,333	18,695,961
Contract receivables, net	15,491,013	15,925,799
Prepaid expenses and other current assets	2,363,864	1,439,575
Inventory	3,627,483	3,789,424
Deferred project costs	576,599	690,232
<b>Total current assets</b>	<b>42,774,864</b>	<b>45,465,805</b>
Property and equipment, net	11,363,191	11,974,095
Other assets	852,523	888,060
<b>Total assets</b>	<b>\$ 54,990,578</b>	<b>\$ 58,327,960</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Bank lines-of-credit	\$ -	\$ -
Accounts payable and accrued expenses	6,588,266	5,515,571
Accrued compensation and related liabilities	5,484,871	4,346,997
Contract liabilities	3,403,224	2,818,678
Current portion of capital lease obligation	68,246	68,246
Current portion of notes payable	-	7,392,100
<b>Total current liabilities</b>	<b>15,544,607</b>	<b>20,141,592</b>
Capital lease obligation	28,419	96,666
Other liabilities	501,797	598,544
<b>Total liabilities</b>	<b>16,074,823</b>	<b>20,836,802</b>
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Without donor restrictions	38,915,755	37,362,218
With donor restrictions	-	128,940
<b>Total net assets</b>	<b>38,915,755</b>	<b>37,491,158</b>
<b>Total liabilities and net assets</b>	<b>\$ 54,990,578</b>	<b>\$ 58,327,960</b>

*See accompanying notes to the consolidated financial statements.*

# Concurrent Technologies Corporation

## Consolidated Statements of Activities and Change in Net Assets

<i>Years ended June 30,</i>	2022	2021
<b>Contract revenue</b>	\$ 80,076,029	\$ 78,090,693
<b>Costs of revenue</b>		
Direct costs	47,863,569	44,393,291
Selling, general and administrative expenses	33,785,549	30,093,037
Depreciation and amortization	1,924,567	1,764,691
<b>Total costs of revenue</b>	83,573,685	76,251,019
<b>(Loss) income from operations</b>	(3,497,656)	1,839,674
<b>Non-operating activities</b>		
Investment return, net	(2,292,351)	3,063,070
Other income	55,596	39,099
Gain on disposal of property and equipment	5,080	4,010
Gain on forgiveness of PPP loans	7,313,931	-
Interest expense	(544)	(74,890)
<b>Total non-operating activities</b>	5,081,712	3,031,289
<b>Change in net assets before provision for income taxes</b>	1,584,056	4,870,963
Provision for income taxes	(159,459)	(111,714)
Change in net assets	1,424,597	4,759,249
Net assets at the beginning of the year	37,491,158	32,731,909
<b>Net assets at the end of the year</b>	\$ 38,915,755	\$ 37,491,158

*See accompanying notes to the consolidated financial statements.*

# Concurrent Technologies Corporation

## Consolidated Statements of Cash Flows

Years ended June 30,	2022	2021
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 1,424,597	\$ 4,759,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in allowance for doubtful accounts	(11,658)	-
Change in inventory reserve	212,837	-
Depreciation and amortization	1,924,567	1,764,691
Net realized and unrealized losses (gains) on investments	2,677,634	(2,757,267)
Gain on disposal of property and equipment	(5,080)	(4,010)
Gain on forgiveness of PPP loans	(7,313,931)	-
Changes in operating assets and liabilities:		
Contract receivables, net	446,444	(3,858,765)
Prepaid expenses and other current assets	(924,289)	(135,792)
Inventory	(50,896)	366,447
Deferred project costs	113,633	(72,497)
Other assets and other liabilities	(61,210)	(17,690)
Accounts payable and accrued expenses	1,161,206	608,769
Accrued compensation and related liabilities	1,137,874	465,025
Contract liabilities	584,546	260,325
<b>Net cash provided by operating activities</b>	<b>1,316,274</b>	<b>1,378,485</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sales of investments	3,039,534	6,215,493
Purchases of investments	(2,926,540)	(7,363,299)
Acquisition of property and equipment	(1,313,663)	(595,103)
Proceeds from sale of property and equipment	5,080	4,010
<b>Net cash used in investing activities</b>	<b>(1,195,589)</b>	<b>(1,738,899)</b>
<b>Cash flows from financing activities:</b>		
Principal payments under notes payable	(166,680)	-
Payments under capital lease obligation	(68,247)	(39,827)
<b>Net cash used in financing activities</b>	<b>(234,927)</b>	<b>(39,827)</b>
Net decrease in cash and cash equivalents	(114,242)	(400,241)
Cash and cash equivalents at the beginning of the year	4,924,814	5,325,055
<b>Cash and cash equivalents at the end of the year</b>	<b>\$ 4,810,572</b>	<b>\$ 4,924,814</b>
<b>Significant noncash investing and financing activities:</b>		
Acquisition of property and equipment under capital lease obligation	\$ -	\$ 204,739
Gain on forgiveness of PPP loans	\$ 7,313,931	\$ -
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ (5,515)	\$ (554)
Cash (paid for) refunded from income taxes	\$ (73,077)	\$ 53,295

*See accompanying notes to the consolidated financial statements.*

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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### 1. Organization and Summary of Significant Accounting Policies

Concurrent Technologies Corporation (CTC) is an independent, nonprofit, applied scientific research and development professional services organization providing innovative management and technology-based solutions. As a nonprofit organization, CTC conducts impartial, in-depth assessments and delivers reliable, unbiased solutions that emphasize increased quality, enhanced effectiveness, and rapid technology transition and deployment.

CTC is headquartered in Johnstown, Pennsylvania and conducts operations in various corporate, client and offsite locations throughout the United States.

The consolidated financial statements also include the following affiliates: CTC Foundation (CFN) and CTC Enterprise Ventures Corporation (EVC). EVC was established by the CTC in fiscal year 2001. EVC is a wholly-owned for-profit subsidiary of CTC established with the objective to further the purpose of the Corporation through investments and other activities, designed to encourage the development and commercialization of advanced technologies.

CFN was established by the CTC in fiscal year 1998 and CTC was its sole member until fiscal year 2022. CFN's objective is to draw together expertise and multi-faceted capabilities to tangibly enhance the lives of people. CFN meets that goal by engaging individual and institutional donors to help advance the development and application of innovative scientific, technological and humanistic principles to enhance economic progress and the quality of life. On June 15, 2022, CFN was dissolved and all continued operating activity is now performed by CTC. Upon dissolution, all assets and liabilities of CFN were received by CTC at net book value in a net asset transfer under the carry over basis method of accounting.

The significant accounting policies followed by CTC, EVC and CFN are described below.

#### ***Basis of accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### ***Principles of consolidation***

The consolidated financial statements include the accounts of CTC, EVC, and CFN as described above (collectively referred to as the Corporation). All intercompany balances and transactions have been eliminated in consolidation.

#### ***Use of estimates***

In preparing consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenue and expenses during the reporting period. Actual results could differ from those estimates.

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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### *Operating cycle*

The Corporation's operating cycle for long-term contracts may be greater than one year and is measured by the average time intervening between the inception and the completion of those contracts. Contract-related assets and liabilities are classified as current assets and current liabilities.

### *Revenue recognition*

The Corporation recognizes revenue in accordance with Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*. Substantially all of the Corporation's revenue-producing arrangements meet the definition of a contract under ASC 606, as the customer receives commensurate value.

ASC 606 outlines a five-step model whereby revenue is recognized as performance obligations within the contract are satisfied. The Corporation's performance obligations are satisfied over time as work progresses or at a point in time. Generally, the Corporation provides services and products under various contract types which are determined by or negotiated with the U.S. government and may depend on certain factors, including the type and complexity of the work to be performed, degree and timing of the responsibility to be assumed by the contractor for the costs of performance, the extent of price competition and the amount and nature of the profit incentive offered to the contractor for achieving or exceeding specified standards or goals. The Corporation generates revenues under several types of contracts, including the following:

- **Cost-Reimbursable Contracts:** Cost-reimbursable contracts provide for the payment of allowable costs incurred during performance of the contract, up to a ceiling based on the amount that has been funded, plus a fixed fee or award fee.
- **Time-and-Materials (T&M) Contracts:** Under contracts in this category, the Corporation charges a fixed hourly rate for each direct labor hour expended and is reimbursed for billable material costs and billable out-of-pocket expenses inclusive of allocable indirect costs. The Corporation assumes the financial risk on time-and-materials contracts because costs of performance may exceed negotiated hourly rates.
- **Fixed-Price-Level-of-Effort (FP-LOE) Contracts:** substantially similar to T&M contracts except they require a specified level of effort over a stated period of time on work that can be stated only in general terms. This type of contract is generally used when the contractor is required to perform an investigation or study in a specific research and development area and to provide a report showing the results achieved based on the level of effort. Payment is based on the effort expended rather than the results achieved.
- **Firm-Fixed-Price (FFP) Contracts:** provide for a fixed price for specified products, systems and/or services. This type of contract is generally used when the U.S. Government acquires products and services on the basis of reasonably definitive specifications, and which have a determinable fair and reasonable price. These contracts offer potential increased profits if the Corporation can complete the work at lower costs than planned. While FFP contracts allow a benefit from cost savings, these contracts also increase the Corporation's exposure to the risk of cost overruns.

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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- EVC sells software under arrangements that include hardware and services. The software is configured together with the hardware prior to delivery. Revenue is recognized ratably over the period the services are delivered.

The Corporation's earnings and profitability may vary depending on changes in the proportionate amount of revenues derived from each type of contract and the nature of services or products provided, as well as the achievement of performance objectives and the stage of performance at which the right to receive fees, particularly under incentive fee and award fee contracts, is finally determined.

The Corporation recognizes revenue over time when there is a continuous transfer of control to the customer. For U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the U.S. government to unilaterally terminate the contract for convenience, pay for costs incurred plus a reasonable profit and take control of any work in process. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. Based on the nature of the products and services provided in the contract, the Corporation uses judgment to determine if an input measure or output measure best depicts the transfer of control over time. For services contracts, the Corporation typically satisfies performance obligations as services are rendered. The Corporation typically uses a cost-based input method to measure progress. Revenue is recognized proportionally as contract costs are incurred plus estimated fees. For time-and-material contracts, the Corporation bills the customer per labor hour and per material, and revenue is recognized in the amount invoiced because the amount corresponds directly to the value of performance to date. For certain fixed-price service contracts, a time-elapsed output method is used to measure progress, and revenue is recognized straight-line over the term of the contract.

If a contract does not meet the criteria for recognizing revenue over time, revenue is recognized at a point in time. Revenue is recognized at the point in time when control of the good or service is transferred to the customer. The Corporation considers control to be transferred when it has a present right to payment and the customer has legal title.

Contract modifications are routine in the performance of contracts. Contracts are often modified to account for changes in contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct and, therefore, are accounted for as part of the existing contract.

Accounting for long-term contracts involves the use of various techniques to estimate total contract revenue and costs. Contract estimates are based on various assumptions to project the outcome of future events that often span several years. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of material, the performance of subcontractors and the availability and timing of funding from the customer. When estimates of total costs to be incurred on a contract exceed total estimates of the transaction price, a provision for the entire loss is determined at the contract level and is recorded in the period in which the loss is determined.

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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### *Performance obligations*

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC 606. A contract's transaction price is allocated to each distinct performance obligation within that contract and recognized as revenue when, or as, the performance obligation is satisfied. The majority of the Corporation's contracts have a single performance obligation as the promise to transfer the individual goods or services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. Some contracts have multiple performance obligations, most commonly due to the contract covering multiple phases of the product lifecycle (development, production, maintenance and support). For contracts with multiple performance obligations, the Corporation allocates the contract's transaction price to each performance obligation using management's best estimate of the standalone selling price of each distinct good or service in the contract. The primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Corporation forecasts expected costs of satisfying a performance obligation and then adding an appropriate margin for that distinct good or service.

For arrangements with the U.S. Government, work on contracts generally does not begin until funding is appropriated by the customer. Billing timetables and payment terms on contracts vary based on a number of factors, including the contract type. Typical payment terms under fixed-price contracts with the U.S. Government provide that the customer pays either performance-based payments (PBPs) based on the achievement of contract milestones or progress payments based on a percentage of costs that are incurred. The Corporation recognizes a liability for payments in excess of revenue recognized, which is presented as a contract liability on the accompanying consolidated statements of financial position. The portion of payments retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer from the Corporation's failure to adequately complete some or all of the obligations under the contract. Payments received from customers in advance of revenue recognition are not considered to be significant financing components because they are used to meet working capital demands that can be higher in the early stages of a contract.

### *Contributions*

Contributions may be conditional or unconditional transactions. If the contribution is determined to be unconditional, the Corporation recognizes revenue at the earlier of the period received or promised. If the contribution is determined to be conditional, the Corporation recognizes revenue when the condition has been met. Contributions received are considered to be without donor restriction unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as net assets with donor restrictions. Unconditional promises to give, which do not state a due date, are presumed to be time-restricted by the donor until received and are reported as net assets with donor restrictions. When the donor-imposed restrictions are met, the funds are released with an offset to net assets without donor restrictions.

### *Costs of revenue*

Costs of revenue include all direct contract costs, as well as indirect overhead costs and selling, general and administrative expenses that are allowable and allocable to contracts under federal procurement standards. Costs of revenue also include costs and expenses that are unallowable and

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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are not allocable to contracts for billing purposes. Such costs and expenses do not directly generate revenue but are necessary for business operations.

### ***Cash equivalents***

The Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Currently, all interest bearing and non-interest bearing U.S. deposit accounts maintained by the Corporation are insured up to \$250,000 by either the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). At June 30, 2022, the Corporation held deposits of \$1.4 million in excess of FDIC limits. At times, the Corporation also maintains cash in sweep accounts that invest primarily in securities backed by U.S. Treasuries and U.S. Government Agencies. The Corporation has not experienced losses in the deposit accounts or sweep accounts and believes it is not exposed to significant credit risk associated with those accounts.

### ***Restricted cash***

The Corporation has restricted cash in the amount of \$1,498,385 and \$1,086,487 at June 30, 2022 and 2021, respectively, which represents unexpended grant proceeds that will be used for grant expenditures during the next fiscal year. These amounts are included in cash and cash equivalents in the accompanying consolidated statements of financial position.

### ***Contract receivables and contract liabilities***

Contract receivables are generated from prime and subcontracting arrangements with federal governmental agencies and various commercial entities. Billed amounts represent invoices that have been prepared and sent to the customer. Contract assets represent costs and anticipated profits not yet billed or awaiting milestones to bill. Management determines reserve for uncollectible accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions. Management has recorded an allowance for contract receivables that are considered to be uncollectible. Uncollectible amounts will be written off when all efforts to collect these receivables have been exhausted or when management receives notification that an amount will not be collected.

Contract liabilities represent interim contract billings in excess of costs and estimated earnings incurred on those contracts.

### ***Investments***

Investments in marketable securities are measured and reported at fair value. Purchases and sales of securities are reflected on a trade-date basis. Interest is recorded when earned. Dividends are recorded as of the ex-dividend date.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities could occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated statements of financial position.

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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### ***Inventory***

The Corporation's inventory is stated at lower of cost or market value, with cost being determined on an average cost basis. Raw materials purchased for a specific contract are valued using the specific identification basis. The Corporation capitalizes labor, material, subcontractor and overhead costs as work-in-process for contracts where control has not yet passed to the customer. Management regularly reviews its inventory for obsolescence and provides for write downs when items are deemed to be unrealizable at their stated carrying value. Historically, any write downs have not been material as a substantial portion of inventory is purchased for specific contracts and placed into production soon after delivery.

### ***Deferred project costs***

EVC defers and amortizes the revenue and costs associated with its Advanced Guard for Information Security (AGIS) software product on a straight-line basis and in accordance with the product's licensing and maintenance agreement.

### ***Property and equipment***

Property and equipment above \$5,000 and with an estimated useful life of at least two years are capitalized and stated at cost, and are depreciated on the straight-line method for both financial statement and tax purposes. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. The estimated useful life is three years for computer software, five years for computer equipment, twelve years for furniture and fixtures and 20 to 40 years for buildings, building improvements and land improvements. Leasehold improvements are amortized over the term of the lease or useful life, whichever is shorter. Construction-in-progress is stated at cost and is not depreciated. Such costs will be transferred to property and equipment upon completion. Land is not depreciated or amortized.

### ***Impairment of long-lived assets***

Long-lived assets, including property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is determined by comparing the carrying value of long-lived assets to an estimate of the future undiscounted cash flows expected to result from the assets and eventual disposition. In the event impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset, which is generally determined by using quoted market prices or valuation techniques such as discounted cash flow models, appraisals, or other pricing models. Management believes that no events have occurred that would cause such an impairment for the fiscal years ended June 30, 2022 and 2021.

### ***Net assets***

The Corporation classifies its net assets into the two categories: net assets without donor restrictions and net assets with donor restrictions.

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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### *Net assets without donor restrictions*

Net assets without donor restrictions generally result from net revenues derived from contracts, net investment return and other net inflows of assets whose use by the Corporation is not limited by donor-imposed restrictions.

### *Net assets with donor restrictions*

CFN, and now CTC as of the end of fiscal year 2022, receives certain contributions designated by donors to be used for future stipulated purposes and future periods. As of June 30, 2022, there were no net assets with donor restrictions. As of June 30, 2021, a total of \$128,940 of contributions were designated as net assets with donor restrictions.

### *Fair value of financial instruments*

The fair value of the Corporation's cash and cash equivalents, contract receivables, accounts payable and accrued expenses and accrued compensation and related liabilities approximate their carrying amounts due to the relatively short maturity of these items. The fair value of the Corporation's long-term debt approximates its carrying amount due to the variability of the applicable interest rates.

### *Fair value measurements*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

### *Research and development expenses*

Expenditures for research and development costs are expensed as incurred and amounted to \$371,666 and \$309,661 during the years ended June 30, 2022 and 2021, respectively.

### *Advertising expenses*

During the years ended June 30, 2022 and 2021, the Corporation incurred advertising expenses in the amount of \$123,144 and \$149,915, respectively. Such expenses are included in selling, general

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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and administrative expenses in the accompanying consolidated statements of activities and change in net assets. Advertising expenses are expensed as incurred and are not reimbursable to the Corporation under contracts with agencies of the U.S. Government.

### ***Income taxes***

The Corporation and its consolidated domestic nonprofit affiliate are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC) and are subject to tax only on activities which give rise to unrelated business income. The Corporation's subsidiary, EVC, is subject to income taxes and utilizes the liability method to measure the tax consequences of temporary differences between financial statement income and taxable income.

The Corporation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Corporation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years ended June 30, 2018 and prior. The Corporation has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

The Corporation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the consolidated financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

### ***Recently adopted authoritative guidance***

In March 2020, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU was issued to provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships and other transactions affected by reference rate reform. The optional expedients assist in accounting for the replacement of reference rates in agreements due to the reference rate reform. This elective update provides optional expedients and exceptions to the accounting requirement to evaluate each contract modification to determine whether it creates a new contract. The London Interbank Offered Rate (LIBOR) will be discontinued, which will require modification to debt agreements, lease agreements, and other contracts that reference this rate. The amendments in this new standard are effective for all entities as of March 12, 2020 through December 31, 2022. Management has adopted this new standard during fiscal year 2022 as the LIBOR rate was replaced in the Corporation's borrowing facility (see Note 8).

### ***Recent accounting pronouncements not yet adopted***

In February 2016, the FASB issued ASU 2016-02, *Leases*, which supersedes the current lease guidance under Leases (Topic 840) and makes several changes, such as requiring an entity to recognize a right-of-use (ROU) asset and corresponding lease obligation on the balance sheet, classified as financing or operating, as appropriate. The update was originally effective for private

**Concurrent Technologies Corporation**  
**Notes to the Consolidated Financial Statements**

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companies for annual and interim reporting periods beginning after December 15, 2019. In July 2018, the FASB issued ASU 2018-10 Codification Improvements to Topic 842, Leases to add clarity to certain areas within ASU 2016-02 and ASU 2018-11 Targeted Improvements, to add an additional and optional transition method to adopt the new leases standard by allowing recognition of a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The revised effective date for private companies is for annual periods beginning after December 15, 2021. Management is currently evaluating the effect that adoption of this new standard will have on the Corporation's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, which eliminates the requirement that a credit loss on a financial instrument be "probable" prior to recognition. Instead, a valuation allowance will be recorded to reflect an entity's current estimate of all expected credit losses, based on both historical and forecasted information related to an instrument. The update is effective for private business entities for annual and interim reporting periods beginning after December 15, 2022, and should be adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to members equity as of the beginning of the first reporting period in which the guidance is effective. A prospective approach is required for debt securities for which another-than-temporary impairment had been recognized before the effective date and loans and debt securities acquired with deteriorated credit quality. Early adoption is permitted. Management is currently evaluating the effect that adoption of this new standard will have on the Corporation's consolidated financial statements.

The Corporation has assessed other accounting pronouncements issued or effective during the years ended June 30, 2022 and 2021 and deemed they were not applicable to the Corporation or are not anticipated to have a material effect on the consolidated financial statements.

## 2. Liquidity and Availability

The following represents the Corporation's financial assets available within one year of the consolidated statements of financial position date that are expected to be used for general expenditures as of June 30:

	2022	2021
Financial assets:		
Cash and cash equivalents (net of restricted cash)	\$ 3,312,187	\$ 3,838,327
Investments	15,905,333	18,695,961
Contract receivables, net	15,491,013	15,925,799
Total financial assets	34,708,533	38,460,087
Adjustments for amounts not available for general expenditures within one year:		
Net assets with donor restrictions	-	(128,940)
Financial assets available to meet cash needs for general expenditures within one year	\$ 34,708,533	\$ 38,331,147

The Corporation has \$34,708,533 and \$38,331,147 of financial assets available as of June 30, 2022 and 2021, respectively, to meet cash needs for general expenditures to be made within one year.

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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Other than cash restricted for particular grants, none of the financial assets are subject to contractual restrictions that make them unavailable for general expenditures within one year of the consolidated statements of financial position dates. Receivables are subject to implied time restrictions but are expected to be collected within one year. All investments are readily convertible to cash in the open markets. In addition, there are no board designated restrictions related to the Corporation's liquidity.

As part of the Corporation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Corporation invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the Corporation has bank lines-of-credit which it could draw upon if necessary (see Note 8). However, one of the Corporation's lines-of-credit is secured by investments, which would limit the availability of the related investment balances should outstanding borrowings exist.

The management of investments is governed by the Corporation's investment policy which is reviewed by the Board of Directors at least annually. An investment policy statement between the Corporation and the investment advisor provides detailed investment objectives, risk considerations, asset allocation guidelines and performance benchmarking of the respective investments. Asset allocations and investment returns are reviewed by the both the investment advisor and the Corporation on a continual basis.

### 3. Functional Allocation of Expenses

The Corporation allocates its expenses on a functional basis among its program and support services. Expenditures which can be identified with program or support services are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by management. Allocation of functional expenses consists of the following for the years ended June 30, 2022 and 2021:

Natural classification for the year ended

June 30, 2022	Program	Support	Total
Compensation and benefits	\$ 31,102,228	\$ 11,032,856	\$ 42,135,084
Professional fees	19,946,697	1,829,847	21,776,544
Program materials	1,830,678	-	1,830,678
Cost of sales	6,270,224	-	6,270,224
Information technology	1,803,844	512,208	2,316,052
Occupancy	3,587,446	231,017	3,818,463
Travel	938,180	113,368	1,051,548
Meetings/events/memberships	217,334	217,064	434,398
Interest/taxes/fees	22,653	77,126	99,779
Depreciation and amortization	1,484,030	440,537	1,924,567
Program services/general/corporate	1,521,123	395,769	1,916,892
<b>Total expenses</b>	<b>\$ 68,724,437</b>	<b>\$ 14,849,792</b>	<b>\$ 83,574,229</b>

**Concurrent Technologies Corporation**  
**Notes to the Consolidated Financial Statements**

Natural classification for the year ended June 30, 2021	Program	Support	Total
Compensation and benefits	\$ 32,526,393	\$ 7,778,237	\$ 40,304,630
Professional fees	18,881,232	1,809,820	20,691,052
Program materials	1,575,784	-	1,575,784
Cost of sales	3,867,832	-	3,867,832
Information technology	1,440,062	569,600	2,009,662
Occupancy	2,671,268	202,553	2,873,821
Travel	301,423	19,682	321,105
Meetings/events/memberships	161,550	157,857	319,407
Interest/taxes/fees	55,655	141,350	197,005
Depreciation and amortization	1,462,482	302,209	1,764,691
Program services/general/corporate	2,007,582	393,338	2,400,920
<b>Total expenses</b>	<b>\$ 64,951,263</b>	<b>\$ 11,374,646</b>	<b>\$ 76,325,909</b>

The functional expenses for the years ended June 30, 2022 and 2021 above include all costs of revenue and interest expense as reported in the accompanying consolidated statements of activities and change in net assets.

#### 4. Fair Value Measurements

Assets measured at fair value on a recurring basis consist of the following at June 30, 2022:

<i>Description</i>	Fair Value Hierarchy Level		Total
	Level 1	Level 2	
Mutual funds			
Exchange-traded funds	\$ 1,988,486	\$ -	\$ 1,988,486
U.S. stocks	7,416,355	-	7,416,355
International stocks	1,618,867	-	1,618,867
<b>Total mutual funds</b>	<b>11,023,708</b>	<b>-</b>	<b>11,023,708</b>
Government securities	-	1,939,294	1,939,294
Corporate bonds	-	2,942,331	2,942,331
<b>Total investments</b>	<b>\$ 11,023,708</b>	<b>\$ 4,881,625</b>	<b>\$ 15,905,333</b>

**Concurrent Technologies Corporation**  
**Notes to the Consolidated Financial Statements**

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Assets measured at fair value on a recurring basis consist of the following at June 30, 2021:

<i>Description</i>	Fair Value Hierarchy Level		Total
	Level 1	Level 2	
Mutual funds			
Exchange-traded funds	\$ 2,122,108	\$ -	\$ 2,122,108
U.S. stocks	8,447,950	-	8,447,950
International stocks	2,228,683	-	2,228,683
Total mutual funds	12,798,741	-	12,798,741
Government securities	-	3,961,040	3,961,040
Corporate bonds	-	1,936,180	1,936,180
Total investments	\$ 12,798,741	\$ 5,897,220	\$ 18,695,961

The following is a description of the valuation methodologies for financial instruments measured at fair value:

Government securities and corporate bonds with quoted prices available in an active markets are classified within Level 1 of the fair value hierarchy. If quoted market prices are not available or accessible, then fair values are estimated using pricing models, matrix pricing, or other discounted cash flow models. The most significant inputs to the discounted cash flow model are the coupon, yield and expected maturity date. The fair values of government securities that are estimated using pricing models or matrix pricing based on observable market data are generally classified within Level 2 of the fair value hierarchy.

Mutual funds and stocks are valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Corporation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**Concurrent Technologies Corporation**  
**Notes to the Consolidated Financial Statements**

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**5. Contract Receivables and Contract Liabilities**

Contract receivables and contract liabilities consist of the following at June 30:

	2022	2021
Billed receivables	\$ 11,609,441	\$ 13,469,520
Contract assets	3,882,847	2,469,212
	15,492,288	15,938,732
Less: allowance for doubtful accounts	(1,275)	(12,933)
	\$ 15,491,013	\$ 15,925,799
<b>Contract liabilities</b>	<b>\$ 3,403,224</b>	<b>\$ 2,818,678</b>

Contract assets and contract liabilities include contract retentions, rate variances, contract costs not yet billable, and amounts arising from recognizing revenue on the percentage-of-completion basis. Such amounts may not be completely billed and collected in the following fiscal year but have been classified as current in accordance with industry practice.

Management periodically reviews the status of outstanding receivables and establishes reserves when necessary.

**6. Inventory**

Inventory consists of the following at June 30:

	2022	2021
Raw materials	\$ 1,177,365	\$ 788,435
Work-in-process	148,948	486,788
Finished goods	2,514,007	2,514,201
Inventory reserve	(212,837)	-
	\$ 3,627,483	\$ 3,789,424

**Concurrent Technologies Corporation**  
**Notes to the Consolidated Financial Statements**

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**7. Property and Equipment**

Property and equipment, net consists of the following at June 30:

	2022	2021
Land	\$ 2,197,023	\$ 2,197,023
Buildings	18,747,793	18,529,674
Software	7,027,923	6,608,392
Equipment	15,411,781	14,986,986
Furniture and fixtures	7,688,442	7,693,218
Leasehold improvements	737,961	737,961
Construction-in-progress	564,714	457,067
	52,375,637	51,210,321
Less: accumulated depreciation and amortization	(41,012,446)	(39,236,226)
	\$ 11,363,191	\$ 11,974,095

**8. Bank Lines-of-credit and Notes Payable**

***Lines-of-credit***

In March 2020, the Corporation opened an operating line-of-credit agreement with a bank. The line-of-credit provides for borrowings up to \$11,250,000. Any borrowings are secured by the rights to and proceeds from the Corporation's investment portfolio. In November 2021, the interest rate was amended to be based upon the Bloomberg Short-Term Bank Yield Index (BSBY) plus 75 basis points. The interest rate is 2.36% per annum at June 30, 2022. There is no outstanding balance under the line-of-credit at June 30, 2022 and 2021.

In March 2022, the Corporation opened two new lines-of-credit with a bank: a Working Capital line-of-credit (the WC LOC) and a Commercial Guidance line-of-credit (the CG LOC). The WC LOC provides for borrowings up to the lesser of \$6,000,000 or the borrowing base, which is based on 70% of receivables aged 90 days or less. The CG LOC provides for borrowings up to \$5,000,000, with the proceeds from any borrowing limited for the use of purchase of certain equipment. Repayments of the CG LOC will be over a 60-month term from the date of the borrowing. Any borrowings are secured by the Corporation's contract receivables for the WC LOC and by the purchased equipment for the CG LOC. The interest rate on the WC LOC is based upon the *Wall Street Journal* (WSJ) prime rate less 25 basis points, or 4.50% per annum at June 30, 2022. The interest rate on the CG LOC is based upon the WSJ prime rate, or 4.75% per annum at June 30, 2022. Both lines-of-credit expire, if not renewed, on March 14, 2023. There is no outstanding balance under either line-of-credit at June 30, 2022.

***Payroll Protection Program Loans***

In April 2020, CTC and EVC received funding under the Paycheck Protection Program (PPP) totaling \$5,874,400 and \$1,518,000, respectively. While these loans were subject to forgiveness under the terms of PPP sections 1102 and 1106 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, there was no guarantee that forgiveness will occur. The application for these funds

# Concurrent Technologies Corporation

## Notes to the Consolidated Financial Statements

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required CTC and EVC to, in good faith, certify that the economic uncertainty at the time made the loan requests necessary to support the ongoing operations of the respective companies. This certification further required the respective companies to take into account their current business activity and ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the forgiveness of the loans attendant to these funds, was dependent on the respective companies having initially qualified for the loan and qualifying for the forgiveness of such loan based on future adherence to the forgiveness criteria. Both PPP loans accrued interest at a rate of 1.00% per annum. Any principal amounts that did not qualify for forgiveness, along with accrued interest, would have been repaid in equal monthly payments beginning in August 2021 through April 2022. In accordance with ASC 470, *Debt*, no amounts for loan forgiveness were recognized until a legal release is received.

In August 2021, CTC was notified by the Small Business Administration (SBA) that the PPP loan was forgiven in full and EVC was notified that \$1,351,020 of the PPP loan was forgiven. The forgiven principal, along with accrued interest totaling \$88,511, was recorded as a gain on forgiveness of PPP loans in the accompanying consolidated statements of activities and change in net assets for the year ended June 30, 2022. The remaining portion of the EVC PPP loan that was not forgiven was repaid in full during the year ended June 30, 2022.

### 9. Disaggregation of Revenue

The Corporation disaggregates revenue from contracts with customers by contract type, customer, as well as whether the Corporation acts as prime contractor or sub-contractor, as the Corporation believes these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Performance obligations related to the Corporation's contracts are satisfied over time as work progresses or at a point in time. Substantially all revenue from products and services were transferred to customers over time for the years ended June 30, 2022 and 2021. Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer.

#### *Performance obligations*

Remaining performance obligations represent the transaction price of exercised contracts for which work has not yet been performed, irrespective of whether funding has or has not been authorized and appropriated as of the date of exercise. Remaining performance obligations do not include negotiated but unexercised options or the unfunded value of expired contracts.

### 10. Income Taxes

CTC and CFN are exempt from federal income tax under IRC section 501(c)(3), though they are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Corporation's subsidiary, EVC, is subject to income taxes and utilizes the liability method to measure the tax consequences of temporary differences between financial statement income and taxable income.

**Concurrent Technologies Corporation**  
**Notes to the Consolidated Financial Statements**

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Significant components of the provision for income taxes are as follows for the years ended June 30:

	2022	2021
Current income tax expense	\$ 159,459	\$ 111,714
Deferred income tax expense	-	-
Provision for income taxes	\$ 159,459	\$ 111,714

The Corporation's provision for income taxes differs from the amount of income tax determined by applying the applicable federal and state statutory income tax rates to the income before income taxes primarily due to changes in the Corporation's valuation allowance position on deferred income tax assets. For the fiscal years ended June 30, 2022 and 2021, the current income tax expense is primarily comprised of federal unrelated business income tax (UBIT) and state tax expense attributable to state minimum taxes.

Deferred income taxes reflect temporary differences in the recognition of revenue and expenses for income tax reporting and financial statement purposes. Significant components of the Corporation's deferred tax assets (liabilities) are as follows at June 30:

	2022	2021
Deferred tax assets		
Net operating loss carryforward - federal	\$ 2,814,226	\$ 2,538,602
Net operating loss carryforward - state	1,098,754	1,068,560
Accrued payroll and related liabilities	20,934	66,351
Research and development tax credits	403,832	403,832
Other	2,804	3,686
Valuation allowance	(4,300,279)	(4,081,031)
Net deferred tax assets	40,271	-
Deferred tax liabilities		
Depreciation and amortization	(22,897)	-
Section 481(a) Adjustment	(17,374)	-
Deferred tax liabilities	(40,271)	-
Net deferred tax assets (liabilities)	\$ -	\$ -

The Corporation evaluates the ability to realize these future tax deductions by assessing whether the Corporation expects to have sufficient future taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies to utilize these future deductions and credits. The Corporation establishes a valuation allowance when they no longer consider it more likely than not that a deferred tax asset will be realized. As of each reporting date, the Corporation's management considers new evidence, both positive and negative, that could impact management's view with regard to future

**Concurrent Technologies Corporation**  
**Notes to the Consolidated Financial Statements**

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realization of deferred tax assets. As of June 30, 2022, management determined that sufficient positive evidence does not yet exist to conclude that it is more likely than not that the deferred tax assets are realizable, and therefore, a valuation allowance is required.

As of June 30, 2022 and 2021, the Corporation has federal net operating loss (NOL) carryforwards of approximately \$13.4 million and \$12.1 million, respectively, which will be available to offset future taxable income. The federal NOLs generated in fiscal year 2017 and prior expire at various dates through 2037, while the NOLs generated in fiscal year 2018 and thereafter can be carried forward indefinitely. As described in Note 8, the Corporation received forgiveness on PPP loans during the year ended June 30, 2022, which was excluded from taxable income.

## 11. Commitments and Contingencies

### *Leases*

The Corporation has the following future minimum lease payments required under operating and capital leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2022 and expire at various dates through May 2024. Certain of the Corporation's leases contain lease incentives or are subject to fixed rent escalations. Such items are amortized on a straight-line basis over the life of the lease. Deferred rent, which represents the difference between the scheduled rent payments and the straight-line rent, has been included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. Management did not impute interest when determining the capital lease obligation because it was deemed to be an insignificant amount. As of June 30, 2022, the future minimum lease payments required under operating and capital leases are as follows:

<i>Years Ending June 30,</i>	Operating Leases			
	Minimum Lease Payments	Rental Income	Net Lease Commitments	Capital Lease Commitments
2023	\$ 584,000	\$ (60,000)	\$ 524,000	\$ 68,000
2024	246,000	(60,000)	186,000	28,000
2025	-	(60,000)	(60,000)	-
2026	-	(60,000)	(60,000)	-
2027	-	(5,000)	(5,000)	-
	<b>\$ 830,000</b>	<b>\$ (245,000)</b>	<b>\$ 585,000</b>	<b>\$ 96,000</b>

The Corporation leases space as a lessor in buildings it owns through lease agreements expiring at various dates through July 2026, which is presented in the table above as rental income. Rent expense in connection with operating leases for the years ended June 30, 2022 and 2021, totaled \$1,032,113 and \$1,178,329, net of rental income of \$266,246 and \$373,160, respectively.

### *Government oversight and audits*

The Corporation's government contracts activity is subject to oversight by the U.S. Government. In addition, contract costs including indirect costs, are subject to audit by agencies of the U.S. Government.

**Concurrent Technologies Corporation**  
**Notes to the Consolidated Financial Statements**

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## **12. Employee Benefits Plans**

### *Retirement programs*

CTC sponsors a retirement program, which includes the Retirement Savings Plan (the Plan). The retirement program covers all eligible employees. CTC matches 100 percent of employee contributions up to three percent of eligible compensation and 50 percent on contributions from four percent to five percent, subject to certain limits. CTC matching contributions to the Plan totaled \$1,253,841 and \$1,161,255 for the years ended June 30, 2022 and 2021, respectively. Discretionary contributions were made to the Plan for the year ended June 30, 2022 totaling \$1,031,194. No discretionary contributions were made to the Plan for the year ended June 30, 2021.

EVC sponsors a 401(k) retirement plan (the 401k Plan) which covers all eligible employees. EVC matches 100 percent of employee contributions up to three percent of eligible compensation and 50 percent on contributions from four percent to five percent, subject to certain limits. EVC matching contributions to the 401(k) Plan totaled \$76,587 and \$61,337 for the years ended June 30, 2022 and 2021, respectively.

### *Health care program*

The Corporation maintains a self-insurance program for employee health care claims. These risks are subject to various claims and an annual aggregate plan limit and an individual participant limit with excess liability coverage provided by an independent insurer. During the year ended June 30, 2022, the annual aggregate plan limit was \$3,734,359 and the individual participant limit was \$225,000. During the year ended June 30, 2021, the annual aggregate plan limit was \$3,931,818 and the individual participant limit was \$225,000. Liabilities related to this plan have been recorded by the Corporation at June 30, 2022 and 2021 in the amount of \$261,283 and \$174,048, respectively, for the estimated amount of claims that have been incurred but not reported. The liabilities are included in accounts payable and accrued expenses in the accompanying consolidated statements of financial position. The estimated liabilities are based on the Corporation's claims history.

Expenses related to employee health care coverage for the years ended June 30, 2022 and 2021 totaled \$2,956,123 and \$2,140,110, respectively.

## **13. Related Party Transactions**

Certain members of the Board of Directors of the Corporation are members of the Board of Directors of certain financial institutions. The Corporation holds certain cash accounts at those financial institutions. Deposits held by the Corporation at the financial institutions amounted to \$1,021,647 and \$566,973 at June 30, 2022 and 2021, respectively.

Members of the Board of Directors and senior executive leadership team of the Corporation and their family members are members of the Board of Directors or are key employees of other organizations in which the Corporation engages in business activities. During the year ended June 30, 2022, costs incurred by the Corporation related to activities with these organizations totaled \$644,964, which included \$80,529 to nonprofit organizations in the form of charitable contributions, \$180,150 to a for-profit organization for legal services, and \$384,285 for expenses related to conference and meeting fees, membership fees, professional fees, subcontractor fees,

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**Notes to the Consolidated Financial Statements**

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software and sponsorships. During the year ended June 30, 2021, costs incurred by the Corporation related to activities with these organizations totaled \$907,652, which included \$77,417 to nonprofit organizations in the form of charitable contributions, \$249,558 to a for-profit organization for legal services, and \$580,677 for expenses related to conference and meeting fees, membership fees, professional fees, subcontractor fees, software and sponsorships.

#### **14. Net Assets With Donor Restrictions**

Net assets with donor restrictions arise from contributions received which are designated by the donors to be used for future stipulated purposes and future periods by CFN. The following is a summary of the activity at and for the fiscal years ended June 30, 2022 and 2021:

Balance at July 1, 2020	\$ 138,510
Contributions	-
Released from restrictions	(9,570)
<hr/>	
Balance at June 30, 2021	128,940
Contributions	-
Released from restrictions	(128,940)
<hr/>	
Balance at June 30, 2022	\$ -

#### **15. Major Customers**

During the years ended June 30, 2022 and 2021, the Corporation derived 65% and 63% of its revenue from prime contracts with agencies of the U.S. Government. As of June 30, 2022 and 2021, 65% and 68% of billed contract receivables were due from such U.S. Government agencies. Such receivables are due from multiple departments and agencies of the U.S. Government and have been billed in accordance with contractual terms.

#### **16. Subsequent Events**

The Corporation has evaluated its June 30, 2022 consolidated financial statements for subsequent events through September 23, 2022, the date the consolidated financial statements were available to be issued. The Corporation is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

## **Schedule of Expenditures of Federal Awards**

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# Concurrent Technologies Corporation

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Contract Number / Pass-Through Entity	Amounts Provided to Subrecipients	2022 Federal Expenditures
<b>Research and Development Cluster:</b>				
<b>U.S. Department of Defense</b>				
Direct Programs Department of the Navy:	12.RD		\$ -	\$ 11,141,127
Pass through Programs from:				
Engility	12.RD	CTC-4143-2015	-	(7,913)
EPS Corporation	12.RD	EPS-Seaport NxG-CTC 05-20	-	1,006,398
Huntington Ingalls	12.RD	PO1067294	-	31,999
Huntington Ingalls	12.RD	PO1071918	-	6,239
Luna Innovations Inc.	12.RD	PO361402	-	6,716
NorthEasternUniv	12.RD	555010	-	339,685
Peerless Technologies	12.RD	Sub3085-001	-	56,600
<b>Total Department of Navy</b>			-	<b>12,580,851</b>
Pass through Programs from Department of the Army:				
Advanced Technology International	12.RD	2015-319	-	(5,721)
Cybex	12.RD	CBX-SC-18-110	-	1,427,152
EnDyna	12.RD	CASDAP-CTC-001	-	365,294
Enterprise Ventures	12.RD	MSA-CTC-EVC-0001	-	27,282
General Dynamics Mission Systems	12.RD	22-SC-0010	-	81,961
Georgia Tech Research Institute (GTRI)	12.RD	POD8A3-S2	-	127,389
John Hopkins APL	12.RD	PO156813	-	7,370
Noblis	12.RD	19-SERDP-CTC	-	116,260
Northeastern University	12.RD	555033-78052	-	105,867
Northeastern University	12.RD	PO504141-78051	-	67,916
<b>Total Department of the Army</b>			-	<b>2,320,770</b>
Direct Programs Department of the Air Force:	12.RD		-	2,427,849
Pass through Programs from:				
4ES Corporation	12.RD	4ES-PSA-CTC-20-001	-	5,473
Bridge View Resources	12.RD	AGMT DTD 5/24/21	-	338
Bridge View Resources	12.RD	PSA DTD 030421	-	13,911
Dakota Consulting	12.RD	DCI-16-000121	-	194,341
Dakota Consulting	12.RD	DCI-21-0001	-	659,383
Georgia Tech Research Institute (GTRI)	12.RD	D8819-S18	-	39,413
Jones Lang Lasalle	12.RD	FA8903-19-F-0101	-	86,980
Jones Lang Lasalle	12.RD	FA8903-21-C-0007	-	243,552
Jones Lang Lasalle	12.RD	FA8903-22-D-0001	-	170
National Center for Manufacturing Sciences (NCMS)	12.RD	201959-140991	-	18,437
<b>Total Department of the Air Force</b>			-	<b>3,689,847</b>
Pass through Programs from Department of the U.S. Marines:				
Tactical Edge	12.RD	S18-003	-	231,253
Direct Programs Department of the National Security Agency:	12.RD		-	14,093,322
Pass through Programs from:				
Leidos	12.RD	PO10236282	-	128,028
<b>Total Department of the National Security Agency</b>			-	<b>14,221,350</b>

# Concurrent Technologies Corporation

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Contract Number / Pass-Through Entity	Amounts Provided to Subrecipients	2022 Federal Expenditures
<b>Research and Development Cluster:</b>				
Pass through Programs National Geospatial Intelligence Agency:				
Applied Research Associates	12.RD	S-D00097-IDIQ-CTC	-	2,129,724
Booz Allen Hamilton	12.RD	S901620BAH	-	1,710,948
Total Department of the National Geospatial Intelligence Agency			-	3,840,672
Direct Program Defense Logistics Agency:				
DLA	12.RD		-	198,059
Direct Program National Reconnaissance Office:				
NRO	12.RD		-	428,369
Pass through Programs Defense Intelligence Agency:				
Booz Allen Hamilton	12.RD	S900695BAH	-	33,077
Pass through Programs Advanced Research Projects Agency:				
Raytheon	12.RD	PO4202441573	-	700,021
Pass through Defense Ordinance Technology Consortium (DOTC):				
Advanced Technology International	12.RD	2020-521	-	2,831,420
<b>Total U.S. Department of Defense</b>			<b>-</b>	<b>41,075,689</b>
Pass through General Services Administration				
A2 Systems Engineering	39.RD	CTC-01-19	-	541,233
Direct Program U.S. Department of Homeland Security				
97.RD	97.RD		-	921,998
Pass through Programs from:				
MicroSystems Automation Group (MSAG)	97.RD	MSAG-SC-20-0002	-	2,424
Total U.S.Department of Homeland Security			-	924,422
Pass through U.S. Department of Energy:				
Lawrence Berkley National Laboratory (LBNL)	81.RD	7585173	-	8,821
Pacific Northwest National	81.RD	PO500441	-	21,858
Total U.S.Department of Energy			-	30,679
Pass through Office of Economic Adjustment:				
Catalyst Connection	NA.RD	PO00003531	-	173,684
<b>Total Research and Development Cluster Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 42,745,707</b>

*The accompanying notes are an integral part of this schedule.*

# Concurrent Technologies Corporation

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2022

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### 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Concurrent Technologies Corporation and subsidiaries (the Corporation) under programs of the federal government for the year ended June 30, 2022. 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 Corporation, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Corporation.

### 2. Summary of Significant Accounting Policies

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

### 3. Indirect Cost Rate

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

**Independent Auditor's Reports  
Required by *Government Auditing Standards*  
and the Uniform Guidance**

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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  
**Concurrent Technologies Corporation**  
Johnstown, Pennsylvania

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 Concurrent Technologies Corporation and its subsidiaries (the Corporation), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 23, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 Corporation'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 Corporation'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 Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BDO USA, LLP*

McLean, Virginia  
September 23, 2022



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## **Independent Auditor’s Report on Compliance For the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors  
**Concurrent Technologies Corporation**  
Johnstown, Pennsylvania

### **Report on Compliance for the Major Federal Program**

#### ***Opinion on the Major Federal Program***

We have audited Concurrent Technologies Corporation and subsidiaries’ (the Corporation) 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 the Corporation’s major federal program for the year ended June 30, 2022. The Corporation’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### ***Basis for Opinion on the 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 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 the major federal program. Our audit does not provide a legal determination of the 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 Corporation’s federal program.

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### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the 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 Corporation's compliance with the requirements of the 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 Corporation'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 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 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 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.

*BDO USA, LLP*

McLean, Virginia  
September 23, 2022

## **Schedule of Findings and Questioned Costs**

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# Concurrent Technologies Corporation

## Schedule of Findings and Questioned Costs Year ended June 30, 2022

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

#### *Consolidated Financial Statements*

Type of report the auditor issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to consolidated financial statements noted?

yes  no

#### *Federal Awards*

Internal control over the major federal program:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditor's report issued on compliance for the major federal program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes  no

Identification of the major federal program:

Federal Assistance Listing Numbers

Various

Name of Federal Program or Cluster

Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,282,371

Auditee qualified as low-risk auditee?

yes  no

# Concurrent Technologies Corporation

## Schedule of Findings and Questioned Costs Year ended June 30, 2022

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### **Section II - Financial Statement Findings**

During the audit for the year ended June 30, 2022, there were no findings related to the consolidated financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS).

### **Section III - Federal Award Findings and Questioned Costs**

There were no findings or questioned costs for Federal awards (as defined in Section 2 CFR 200.516 (a) of the Uniform Guidance) that are required to be reported.