

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Morgantown, West Virginia

FINANCIAL REPORT

JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Civil-Military Innovation Institute, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Civil-Military Innovation Institute, Inc. as of June 30, 2023 and 2022, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

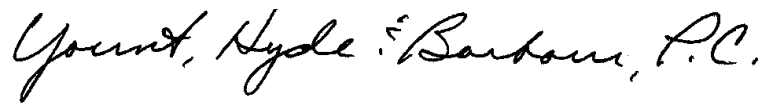
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Costs Principles and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024 on our consideration of Civil-Military Innovation Institute, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Yount, Hyde & Barbour, P.C." in a cursive script.

Winchester, Virginia
February 14, 2024

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Statements of Financial Position

June 30, 2023 and 2022

Assets	2023	2022
Current Assets		
Cash and cash equivalents	\$ 9,031,464	\$ 5,347,244
Accounts receivable	5,689,714	1,889,357
Employee retention credit receivable	227,422	338,233
Other current assets	15,732	156,345
	<u>14,964,332</u>	<u>7,731,179</u>
Noncurrent Assets		
Property and equipment, net of accumulated depreciation		
\$196,532 in 2023 and \$120,315 in 2022	1,163,998	283,715
Intangible assets, net of accumulated amortization	110,528	--
Right-of-use assets - operating	661,887	--
	<u>1,936,413</u>	<u>283,715</u>
Total assets	<u>\$ 16,900,745</u>	<u>\$ 8,014,894</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 3,662,613	\$ 2,909,385
Accrued expenses and other liabilities	359,314	385,823
Current portion of lease liabilities - operating	176,145	--
Current portion of note payable	14,527	--
Total current liabilities	<u>4,212,599</u>	<u>3,295,208</u>
Noncurrent Liabilities		
Lease liabilities - operating, less current portion	488,022	--
Note payable, less current portion	19,238	47,656
Total liabilities	<u>517,260</u>	<u>47,656</u>
Net Assets, without donor restrictions	<u>12,180,886</u>	<u>4,672,030</u>
Total liabilities and net assets	<u>\$ 16,900,745</u>	<u>\$ 8,014,894</u>

See Notes to Financial Statements.

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Statements of Activities

For the Years Ended June 30, 2023 and 2022

	2023	2022
Revenue		
Contract revenue	\$ 2,618,258	\$ 4,498,455
Federal contract revenue	17,020,550	1,322,679
Government grants	13,447,951	10,967,371
Government grant - Paycheck Protection Program	--	274,488
Government grant - Employee Retention Credit	--	137,486
Contributed nonfinancial assets - land	--	227,000
Interest income	174,404	7,980
Other income	12,160	--
Total revenues	<u>33,273,323</u>	<u>17,435,459</u>
Expenses		
Program	21,320,600	11,807,691
Management and general	<u>4,443,867</u>	<u>2,628,629</u>
Total expenses	<u>25,764,467</u>	<u>14,436,320</u>
Change in net assets	7,508,856	2,999,139
Net Assets, beginning of year	<u>4,672,030</u>	<u>1,672,891</u>
Net Assets, end of year	<u>\$ 12,180,886</u>	<u>\$ 4,672,030</u>

See Notes to Financial Statements.

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program	Management and General	Total
Computer	\$ 20,429	\$ 51,276	\$ 71,705
Consulting services	2,500	-	2,500
Depreciation and amortization	76,217	4,472	80,689
Dues and subscriptions	-	2,444	2,444
Fees and licenses	-	7,491	7,491
Insurance	-	83,163	83,163
Interest expense	-	1,964	1,964
Marketing	-	43,427	43,427
Meals	5,849	32,197	38,046
Miscellaneous expenses	36,898	59,364	96,262
Office supplies	95,276	-	95,276
Other direct costs	2,654,733	24,188	2,678,921
Overhead labor	155,330	5,684	161,014
Postage	2,611	24	2,635
Printing and copying	-	50	50
Professional fees	-	145,381	145,381
Repairs and maintenance	5,364	-	5,364
Rent	82,358	-	82,358
Salaries, taxes and benefits	4,711,503	1,039,788	5,751,291
Subcontractors	13,171,074	2,673,678	15,844,752
Telephone and internet	6,480	-	6,480
Training and development	4,539	243,250	247,789
Travel and meetings	289,293	26,026	315,319
Utilities	146	-	146
Total expenses	<u>\$ 21,320,600</u>	<u>\$ 4,443,867</u>	<u>\$ 25,764,467</u>

See Notes to Financial Statements.

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program	Management and General	Total
Computer	\$ 4,849	\$ 9,688	\$ 14,537
Consulting services	20,000	--	20,000
Depreciation and amortization	11,343	--	11,343
Dues and subscriptions	--	1,021	1,021
Fees and licenses	--	2,407	2,407
Insurance	--	10,354	10,354
Interest expense	--	2,599	2,599
Marketing	--	21,010	21,010
Meals	--	6,193	6,193
Miscellaneous expenses	11,476	11,000	22,476
Office supplies	33,515	--	33,515
Other direct costs	1,548,250	--	1,548,250
Overhead labor	99,469	--	99,469
Postage	--	176	176
Printing and copying	--	1,327	1,327
Professional fees	--	48,062	48,062
Repairs and maintenance	4,913	--	4,913
Rent	73,250	--	73,250
Salaries, taxes and benefits	3,241,071	340,554	3,581,625
Subcontractors	6,656,797	2,010,000	8,666,797
Telephone and internet	4,045	--	4,045
Training and development	750	151,214	151,964
Travel and meetings	96,849	13,024	109,873
Utilities	1,114	--	1,114
Total expenses	<u>\$ 11,807,691</u>	<u>\$ 2,628,629</u>	<u>\$ 14,436,320</u>

See Notes to Financial Statements.

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 7,508,856	\$ 2,999,139
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of right-of-use asset	173,969	--
Depreciation and amortization expense	80,689	11,343
Paycheck Protection Program loan forgiveness	--	(274,488)
Nonfinancial contribution - land	--	(227,000)
(Increase) in accounts receivable	(3,800,357)	(413,993)
Decrease (increase) in employee retention credit receivable	110,811	(67,486)
Decrease (increase) in other current assets	140,613	(146,992)
Increase in accounts payable	753,228	2,299,572
(Decrease) in lease liabilities - operating	(171,689)	--
(Decrease) in accrued expenses and other liabilities	(26,509)	199,181
Net cash provided by operating activities	<u>4,769,611</u>	<u>4,379,276</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(956,500)	(10,675)
Purchase of intellectual property	<u>(115,000)</u>	<u>--</u>
Net cash (used in) investing activities	<u>(1,071,500)</u>	<u>(10,675)</u>
Cash Flows from Financing Activities,		
payments on notes payable	<u>(13,891)</u>	<u>(32,656)</u>
Net increase in cash and cash equivalents	3,684,220	4,335,945
Cash and Cash Equivalents		
Beginning of year	<u>5,347,244</u>	<u>1,011,299</u>
End of year	<u>\$ 9,031,464</u>	<u>\$ 5,347,244</u>
Supplemental Disclosures of Cash Flow Information,		
cash paid for interest	<u>\$ 1,679</u>	<u>\$ 2,599</u>
Supplemental Disclosures of Noncash Investing and Financing Activities		
Property and equipment purchased through issuance of long-term debt	<u>\$ --</u>	<u>\$ 57,558</u>
Property received through nonfinancial contribution	<u>\$ --</u>	<u>\$ 227,000</u>
Right-of-use assets and lease liabilities recognized with the adoption of ASC 842	<u>\$ 835,856</u>	<u>\$ --</u>

See Notes to Financial Statements.

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Notes to Financial Statements

Note 1. Nature of Operations

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

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Net assets, revenues, and expenses are classified based on the terms of donor-imposed restrictions, if any. Accordingly, the net assets, revenues, and expenses of the Organization are classified and reported as follows:

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

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

Revenue Recognition

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

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

Nature of Products and Services

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

Notes to Financial Statements

Transaction Price

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

Contract Balances

Funds received by the Organization relating to revenue generating activities of future reporting periods are recorded as deferred revenue on the statements of financial position. The Organization does not recognize revenue in advance of the right to invoice and therefore has not recorded a contract asset at June 30, 2023 and 2022.

Contributions

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

Contributed Nonfinancial Assets

Contributed nonfinancial assets are recorded at the respective fair value of the goods or services received. The Organization received a land donation valued at \$227,000 during the year ended June 30, 2022. The contributed land will be used in program services and was valued based on an appraisal performed at the time of contribution. The land was capitalized. All nonfinancial contributions received during the year ended June 30, 2022 were unrestricted. There were no nonfinancial contributions during the year ended June 30, 2023.

Accounts Receivable

Management expects all accounts receivable to be collected in full and, therefore, no allowance for uncollectible amounts has been recognized.

Advertising

Advertising and marketing costs are expensed as incurred. Marketing expense was \$43,427 and \$21,010 for the years ended June 30, 2023 and 2022, respectively.

Income Taxes

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

Allocation Methodology for the Statement of Functional Expenses

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

Notes to Financial Statements

Cash and Cash Equivalents

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

Use of Estimates

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

Intangible Assets

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

Property and Equipment

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

Furniture and equipment	3 - 10 years
Vehicles	5 years

New Accounting Pronouncement

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases.

Notes to Financial Statements

The Organization elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded invariable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s operating leases of approximately \$835,856 at July 1, 2022. The adoption of the new lease standard did not materially impact combined change in net assets or combined cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Notes to Financial Statements

Note 3. Liquidity and Availability

The Organization had \$14,948,600 and \$7,574,834 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure as of June 30, 2023 and 2022, respectively. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

	<u>2023</u>	<u>2022</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 9,031,464	\$ 5,347,244
Accounts receivable	5,689,714	1,889,357
Employee retention credit receivable	<u>227,422</u>	<u>338,233</u>
Total financial assets	<u>14,948,600</u>	<u>7,574,834</u>
Less those unavailable for general expenditure within one year, restricted by donors for purpose	<u>- -</u>	<u>- -</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,948,600</u>	<u>\$ 7,574,834</u>

Note 4. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Contract revenue	\$ 80,889	\$ 337,125
Federal contract revenue	2,558,222	- -
Federal grant revenue	<u>3,050,603</u>	<u>1,552,232</u>
	<u>\$ 5,689,714</u>	<u>\$ 1,889,357</u>

Note 5. Leases

The Organization leases office and storage space under various operating lease agreements. Renewal options are considered and included in the lease terms only when it is reasonably certain that the Organization will renew the lease in the future.

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

On September 23, 2021, the Organization entered into a lease agreement for storage space and the lease has been renewed through September 22, 2024 for \$850 per month.

Notes to Financial Statements

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

Total rent expense was \$195,779 on these agreements during the year ended June 30, 2023. As of June 30, 2023, the Organization's weighted average discount rate was 2.88% and weighted average remaining lease term was 3.7 years.

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

<u>Year Ending June 30,</u>	
2024	\$ 192,950
2025	184,050
2026	185,250
2027	133,900
2028	<u>5,150</u>
Total future minimum lease payments	701,300
Less imputed interest	<u>(37,133)</u>
Present value of minimum lease payments	664,167
Less current portion	<u>(176,145)</u>
	<u><u>\$ 488,022</u></u>

Note 6. Employee Retention Credit

The Employee Retention Credit (ERC), originally provided for within the CARES Act, is a refundable tax credit against certain employment taxes based on qualified wages paid to employees. The Organization recorded \$137,486 of ERC due as revenue on the statements of activities for the year ended June 30, 2022. As of June 30, 2023 and 2022, a total of \$227,422 and \$338,233 was unpaid and recognized as a receivable on the statements of financial position.

Note 7. Property and Equipment

Property and equipment consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 227,000	\$ 227,000
Construction in progress	404,841	--
Furniture and equipment	447,140	108,972
Vehicles	<u>281,549</u>	<u>68,058</u>
	1,360,530	404,030
Less accumulated depreciation	<u>(196,532)</u>	<u>(120,315)</u>
	<u><u>\$ 1,163,998</u></u>	<u><u>\$ 283,715</u></u>

Notes to Financial Statements

Note 8. Notes Payable

On September 2, 2021, the Organization entered into a loan agreement of \$57,383 to purchase a vehicle. The loan requires monthly payments of \$1,131 with an interest rate of 4.9% and matures in September 2025. The balance was \$33,765 at June 30, 2023.

Maturities on notes payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 14,527
2025	15,254
2026	<u>3,984</u>
	<u>\$ 33,765</u>

Note 9. Subsequent Events

The Organization has evaluated all subsequent events through February 14, 2024, the date the financial statements were available to be issued. There are no additional subsequent events that require recognition or disclosure.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statement of Civil-Military Innovation Institute, Inc. which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statement, and have issued our report thereon dated February 14, 2024.

Report on Internal Control Over Financial Reporting

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

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

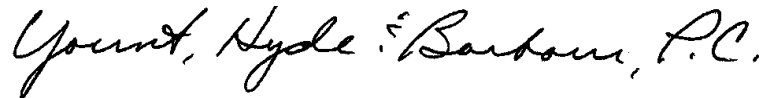
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore. Given these limitations, during our audit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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in black ink that reads "Goumit, Hyde & Barbours, P.C." in a cursive script.

Winchester, Virginia
February 14, 2024



50 S. Cameron St.
Winchester, VA 22601

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Civil-Military Innovation Institute, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Civil-Military Innovation Institute, Inc.'s major federal programs for the year ended June 30, 2023. Civil-Military Innovation Institute, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Civil-Military Innovation Institute, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Civil-Military Innovation Institute, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Civil-Military Innovation Institute, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Civil-Military Innovation Institute, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Civil-Military Innovation Institute, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Civil-Military Innovation Institute, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Civil-Military Innovation Institute, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Civil-Military Innovation Institute, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of Civil-Military Innovation Institute, Inc. as of and for the year ended June 30, 2023, and have issued our report thereon dated February 14, 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.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
February 14, 2024

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number(s)	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Defense:				
Translational Research Advanced Capability Acceleration (TRACA) Methodology Development and Implementation	12.431	N/A	N/A	<u>\$ 13,447,951</u>
Total Expenditures of Federal Awards				<u>\$ 13,447,951</u>

The accompanying notes are an integral part of this schedule.

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Civil-Military Innovation Institute, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, functional expenses or cash flows of the Organization.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

Note 3. Indirect Cost Rate

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

CIVIL-MILITARY INNOVATION INSTITUTE, INC.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

I. Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified.

Internal control over financial reporting:

Material weakness(es) identified? No.

Significant deficiency(ies) identified? No.

Noncompliance material to financial statements noted? No.

Federal Awards

Internal control over major programs:

Material weaknesses identified? No.

Significant deficiency(ies) identified? No.

Type of auditor's report issued on compliance for major programs: Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.

Identification of major programs:

Assistance Listing Number: 12.431 Translational Research Advanced Capability
Acceleration (TRACA) Methodology
Development and Implementation

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

Did the auditee qualify as low-risk auditee? No.

II. Section II - Financial Statement Findings None.

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

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