

NEXTCORPS, INC. AND SUBSIDIARY

ROCHESTER, NEW YORK

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

REPORT REQUIRED BY GOVERNMENT
AUDITING STANDARDS
AND

INDEPENDENT AUDITOR'S REPORTS

JUNE 30, 2025
(with Comparative Totals for 2024)



BUSINESS
ADVISORS
AND CPAS

CONTENTS

<u>AUDITED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>PAGE</u>
Independent Auditor's Report	3
Consolidated Statement of Financial Position	6
Consolidated Statement of Activities and Changes in Net Assets	7
Consolidated Statement of Functional Expenses	8
Consolidated Statement of Cash Flows	9
Notes to Consolidated Financial Statements	11
 <u>REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>	
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 <i>Government Auditing Standards</i>	25



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
NextCorps, Inc. and Subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of NextCorps, Inc. and Subsidiary, which comprise the consolidated statement of financial position of as of June 30, 2025, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of NextCorps, Inc. and Subsidiary as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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 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, 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 NextCorps, Inc. and Subsidiary'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 NextCorps, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited NextCorps, Inc. and Subsidiary's June 30, 2024 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 11, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025 on our consideration of NextCorps, Inc. and Subsidiary'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 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 NextCorps, Inc. and Subsidiary's internal control over financial reporting and compliance.

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
November 10, 2025

NEXTCORPS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

(With Comparative Totals for 2024)

<u>ASSETS</u>	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 9,107,674	\$ 6,230,599
U.S. Treasury Bills	-	3,266,878
Investments	20,030,289	17,961,543
Grants receivable	2,162,026	1,276,840
Accounts receivable, net of allowance for credit losses of \$21,654 in 2025 and \$27,498 in 2024	621,298	1,057,196
Prepaid expenses	23,572	21,792
Property and equipment, net	<u>11,697,308</u>	<u>9,937,682</u>
TOTAL ASSETS	<u>\$ 43,642,167</u>	<u>\$ 39,752,530</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
<u>LIABILITIES</u>		
Accounts payable	\$ 772,301	\$ 1,209,455
Accrued expenses	613,669	583,458
Security deposits	32,215	29,580
Deferred revenue	<u>6,840,079</u>	<u>5,534,409</u>
TOTAL LIABILITIES	8,258,264	7,356,902
 <u>NET ASSETS</u>		
Without donor restrictions	35,203,675	32,395,628
With donor restrictions	<u>180,228</u>	<u>-</u>
TOTAL NET ASSETS	<u>35,383,903</u>	<u>32,395,628</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,642,167</u>	<u>\$ 39,752,530</u>

The accompanying notes are an integral part of the consolidated financial statements.

NEXTCORPS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2025
(With Comparative Totals for 2024)

	Year ended June 30,			
	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
Revenues and support:				
Grants - State	\$ 8,375,926	\$ -	\$ 8,375,926	\$ 7,891,939
Grants - Federal	1,846,802	-	1,846,802	1,316,596
Grants - Other	463,502	250,000	713,502	736,131
Contributions	179,479	-	179,479	213,979
Contributions - gifts-in-kind	175,735	-	175,735	46,450
Project income	1,092,502	-	1,092,502	2,678,021
Sponsorship income	20,941	-	20,941	16,200
Rental income	378,878	-	378,878	369,824
Interest and dividend income	360,481	-	360,481	330,859
Unrealized gain on U.S. Treasury Bills	-	-	-	21,748
Miscellaneous	65,571	-	65,571	73,808
	12,959,817	250,000	13,209,817	13,695,555
Net assets released from restrictions	69,772	(69,772)	-	-
TOTAL REVENUES AND SUPPORT	13,029,589	180,228	13,209,817	13,695,555
Expenses:				
Program services:				
Manufacturing services	1,886,329	-	1,886,329	3,548,326
New Venture services	7,152,782	-	7,152,782	6,837,492
	9,039,111	-	9,039,111	10,385,818
Supporting services:				
Management and general	982,431	-	982,431	846,476
TOTAL EXPENSES	10,021,542	-	10,021,542	11,232,294
CHANGE IN NET ASSETS BEFORE IMPAIRMENT ON INVESTMENTS	3,008,047	180,228	3,188,275	2,463,261
Impairment on investments	(200,000)	-	(200,000)	(150,000)
CHANGE IN NET ASSETS	2,808,047	180,228	2,988,275	2,313,261
Net assets at beginning of year	32,395,628	-	32,395,628	30,082,367
NET ASSETS AT END OF YEAR	\$ 35,203,675	\$ 180,228	\$ 35,383,903	\$ 32,395,628

The accompanying notes are an integral part of the consolidated financial statements.

NEXTCORPS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025
(With Comparative Totals for 2024)

	<u>Program Services</u>			<u>Management and General</u>	<u>Total</u>	
	<u>Manufacturing Services</u>	<u>New Venture Services</u>	<u>Total Program Services</u>		<u>Year ended June 30,</u>	
					<u>2025</u>	<u>2024</u>
Salaries	\$ 393,582	\$ 2,343,187	\$ 2,736,769	\$ 679,972	\$ 3,416,741	\$ 3,113,358
Employee benefits	90,509	536,296	626,805	160,276	787,081	691,833
TOTAL SALARIES AND RELATED EXPENSES	484,091	2,879,483	3,363,574	840,248	4,203,822	3,805,191
Consulting, contractual and other subcontracts	1,297,255	2,607,401	3,904,656	37,000	3,941,656	5,648,503
Property management	-	273,572	273,572	-	273,572	219,606
Seminars and special events	2,662	155,343	158,005	8,080	166,085	178,007
Travel	5,361	140,144	145,505	2,176	147,681	120,916
Stationery and supplies	256	21,911	22,167	1,489	23,656	20,358
Postage	104	8,473	8,577	38	8,615	7,786
Equipment purchases and maintenance	11,773	45,611	57,384	21,410	78,794	67,073
Marketing and advertising	18,755	445,088	463,843	14,659	478,502	388,117
Occupancy	36,737	-	36,737	8,563	45,300	45,764
Professional services	16,687	67,778	84,465	28,212	112,677	127,055
Telephone	2,465	20,288	22,753	5,701	28,454	26,409
Insurance	12,556	32,766	45,322	916	46,238	45,847
Credit loss expense (recovery)	(10,429)	5,049	(5,380)	(464)	(5,844)	7,898
Staff training and conferences	2,361	12,827	15,188	160	15,348	21,974
Miscellaneous	5,695	13,565	19,260	5,720	24,980	24,333
	1,402,238	3,849,816	5,252,054	133,660	5,385,714	6,949,646
Depreciation	-	423,483	423,483	8,523	432,006	477,457
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,886,329</u>	<u>\$ 7,152,782</u>	<u>\$ 9,039,111</u>	<u>\$ 982,431</u>	<u>\$ 10,021,542</u>	<u>\$ 11,232,294</u>

The accompanying notes are an integral part of the consolidated financial statements.

NEXTCORPS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025
 (With Comparative Totals for 2024)

	Year ended June 30,	
	2025	2024
<u>CASH FLOWS - OPERATING ACTIVITIES</u>		
Change in net assets	\$ 2,988,275	\$ 2,313,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	432,006	477,457
Credit loss (recovery) expense	(5,844)	7,898
Unrealized gain on U.S. Treasury Bills	-	(21,748)
Impairment on investments	200,000	150,000
Capitalized in-kind professional fees	(89,195)	-
Changes in certain assets and liabilities affecting operations:		
Grants receivable	(885,186)	(453,364)
Accounts receivable	441,742	(94,755)
Prepaid expenses	(1,780)	(7,505)
Accounts payable	(437,154)	179,976
Accrued expenses	30,211	161,425
Security deposits	2,635	1,697
Deferred revenue	1,305,670	1,365,932
NET CASH PROVIDED BY OPERATING ACTIVITIES	3,981,380	4,080,274
<u>CASH FLOWS - INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(2,102,437)	(23,314)
Proceeds from the sale of U.S. Treasury Bills	3,266,878	1,008,000
Purchases of U.S. Treasury Bills	-	(2,276,845)
Proceeds from sale or redemption of investments	-	120,000
Purchases of investments	(2,268,746)	(2,974,370)
NET CASH USED FOR INVESTING ACTIVITIES	(1,104,305)	(4,146,529)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,877,075	(66,255)
Cash and cash equivalents at beginning of year	6,230,599	6,296,854
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 9,107,674	\$ 6,230,599

NEXTCORPS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS, Cont'd

YEAR ENDED JUNE 30, 2025
(With Comparative Totals for 2024)

	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
<u>NON-CASH INVESTING ACTIVITIES</u>		
Transfer of SAFE agreements to equity investments	<u>\$ -</u>	<u>\$ 929,036</u>
Transfer of notes receivable, including accrued interest totaling \$53,734 and \$77,801 in 2025 and 2024, respectively, to equity investments	<u>\$ 729,171</u>	<u>\$ 977,801</u>
Transfer of notes receivable to SAFE agreements	<u>\$ -</u>	<u>\$ 120,000</u>
Capitalization of in-kind professional fees	<u>\$ 89,195</u>	<u>\$ -</u>

The accompanying notes are an integral part of the consolidated financial statements.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization

NextCorps, Inc. (“NextCorps”), formerly High Tech Rochester Inc., was incorporated in 1987 as an independent, not-for-profit economic development organization. In 2007, NextCorps became a wholly-owned subsidiary of the University of Rochester, but maintains its independent Board of Directors whose members are drawn from the community in which it operates.

In November 2017, NextCorps formed a wholly-owned for profit subsidiary, Luminate Venture Challenge Corp. (“LVCC”), to hold the investments made by NextCorps in early-stage companies. LVCC has 200 common shares authorized with no par value that are issued and outstanding at June 30, 2025 and 2024. Collectively, NextCorps and LVCC are referred to as the “Organization”.

NextCorps’ mission is to be a catalyst for entrepreneurship and innovation-based economic development by applying business expertise and network connections to aid in the formation and profitable growth of companies in the Finger Lakes Region of New York. The Organization focuses on regional economic development in the technology and high growth business sector through training, consulting and connections to key resources. NextCorps provides a suite of services, including technology commercialization for very early stage opportunities, business incubation for high growth potential startups, and growth services for existing manufacturing companies seeking to improve their top and bottom line performance.

The Organization is supported by academic, private and public organizations, including major funding from Empire State Development, including its Division of Science, Technology and Academic Research (“NYSTAR”) and the New York State Energy Research and Development Authority (“NYSERDA”). The Organization owns and operates one business incubator in downtown Rochester in Sibley Square. In addition to its incubation services, NextCorps is the Finger Lakes region’s Manufacturing Extension Partnership center, operates a clean-tech proof of concept center (Venture for ClimateTech), an optics, photonics, and imaging-focused accelerator (Luminate), and a pilot program designed to aid clean-tech manufacturing startups to move from the prototype stage to manufacturing scale production (Scale for ClimateTech). During the year ended June 30, 2024, the Organization began providing expertise and support to new startup accelerators through funding from the National Science Foundation (NSF).

Principles of consolidation

The consolidated financial statements present the consolidated statements of financial position, activities and changes in net assets, functional expenses and cash flows of NextCorps and LVCC. All intercompany balances and transactions have been eliminated in consolidation.

Basis of accounting

The Organization maintains its books and records on the accrual basis of accounting.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Financial statement presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Represents all resources over which the Board of Directors has discretionary control to use in carrying on the Organization's operations in accordance with guidelines established for the Organization. The Board may designate portions of the net assets without donor restrictions for specific purposes, projects or investment.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization had \$180,228 assets with donor restrictions at June 30, 2025. There were no net assets with donor restrictions at June 30, 2024.

Cash and cash equivalents

Cash and cash equivalents, including bank deposit accounts and certain money market accounts, are maintained at financial institutions located in Upstate New York and are insured by the FDIC up to \$250,000 at each institution. The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents. In the normal course of business, the cash account balances at any given time may exceed insured limits. However, the Organization has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equivalents.

U.S. Treasury Bills

The Organization invested in U.S. Treasury Bills, which were stated at fair value based on quoted market prices. These securities were exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of the U.S. Treasury Bills may occur in the near term and such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Investments

Investments are valued at its cost minus impairment and consist of equity interests, notes receivable, and simple agreements for future equity. Investments are written off through a charge to the valuation allowance and a credit to the applicable investment.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Grants and accounts receivable and allowance for credit losses

Management reviews grants and accounts receivable on a periodic basis to determine if any receivables will potentially be uncollectible and has established a valuation allowance by charging credit loss expense for estimated uncollectible account balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable accounts receivable. The allowance for credit losses at June 30, 2025 and 2024 was \$21,654 and \$27,498, respectively. There were recoveries of \$5,844 and write-offs of \$7,898 during the years ended June 30, 2025 and 2024, respectively.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method on a basis considered adequate to depreciate the assets over their estimated useful lives, which range primarily from two to forty years. Depreciation on tenant improvements is computed using the straight-line method on a basis considered adequate to depreciate the assets over the life of the leases, which range from two to three years.

Major renewals and betterments are capitalized while repairs and maintenance are charged to expenses as incurred. Upon sale or retirement, the related cost and accumulated depreciation are removed from the accounts and any related gain or loss is reflected in the consolidated statement of activities and changes in net assets.

Marketing and advertising

Marketing and advertising costs are expensed as incurred, and amounted to approximately \$478,500 and \$388,100 for the years ended June 30, 2025 and 2024, respectively.

Revenue and support recognition

Revenue from Exchange Transactions: The Organization recognizes revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

Project income

The Organization is a facilitator for customer projects, connecting customers with the appropriate third-party contractors to meet the project needs. Revenue is recognized at a point in time using the completed contract method. Contract costs include charges from subcontractors related to contract performance. Changes to total estimated contract cost or losses, if any, are recognized in the period in which they are determined as assessed at the contract level. Customer payments on contracts are typically due upon receipt of the invoice.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

The following table summarizes contract balances at their respective consolidated statement of financial position dates:

	<u>June 30,</u>		
	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contract assets:			
Accounts receivable (gross of allowance for credit losses)	<u>\$ 98,048</u>	<u>\$ 325,794</u>	<u>\$ 478,180</u>

Rental income

The Organization generates revenue from leasing office space. Such leasing revenues are recognized monthly as they are earned, which is not materially different than on a straight-line basis. Payments are received from the tenant for their share of the building space as defined by the rental agreement. Rental payments received in advance are deferred until earned. Deferred revenue relative to rental agreements amounted to \$22,921 and \$13,909 at June 30, 2025 and 2024, respectively. Office space is rented under various lease terms. See Note H.

Grant revenue

Some of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Certain grants are subject to audit and retroactive adjustments by its funders. Any changes resulting from these audits are recognized in the year they become known. Qualifying expenditures that have been incurred but are yet to be reimbursed are reported as grants receivable in the accompanying consolidated statement of financial position and amounted to \$1,153,299 and \$1,276,840 at June 30, 2025 and 2024, respectively. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the accompanying consolidated statement of financial position and amounted to \$6,817,158 and \$5,520,499 at June 30, 2025 and 2024, respectively. See Note F.

Contributions

The Organization records contributions when a donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions.

Contributions – gifts-in-kind

Gifts and donations other than cash are recorded at fair market value at the date of contribution. In-kind donations amounted to \$175,735 and \$46,450 during the years ended June 30, 2025 and 2024, respectively. See Note N.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE A: THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Cont'd

Income taxes

NextCorps is organized as a non-profit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations. NextCorps has filed for and received income tax exemptions in the various jurisdictions where they are required to do so. NextCorps files Form 990 tax returns in the U.S. federal jurisdiction and in New York State.

LVCC is organized as a C-Corporation for income tax purposes and is taxed under the provisions of the Internal Revenue Code and applicable state laws. LVCC files tax returns in various jurisdictions and is subject to potential examination by taxing authorities.

The Organization's current and prior three years tax returns remain subject to review by taxing authorities. Management of the Organization believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits.

Use of estimates in the preparation of consolidated financial statements

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

Comparative information for the year ended June 30, 2024

The consolidated financial statements include certain prior year summarized comparative information in total but not by functional classification. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Subsequent events

The Organization has conducted an evaluation of potential subsequent events occurring after the consolidated statement of financial position date through November 10, 2025, which is the date the consolidated financial statements are available to be issued. See Note I.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE B: LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in savings accounts, money market funds and other minimal risk short-term investments.

The following table reflects the Organization's financial assets available within one year as of June 30, 2025 and 2024, reduced by amounts that are not available to management to meet general expenditures within one year of the consolidated statement of financial position date because of donor restrictions and/or board designations. Amounts not available include a board designated Capital Reserve and net assets restricted by donors with purpose restrictions. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 9,107,674	\$ 6,230,599
Grants receivable	2,162,026	1,276,840
Accounts receivable, net	<u>621,298</u>	<u>1,057,196</u>
Total financial assets available within one year	11,890,998	8,564,635
Less:		
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	(180,228)	-
Future investment commitment	(2,100,000)	-
Amounts unavailable to management without Board's approval:		
Board designated for Capital Reserve	<u>(450,000)</u>	<u>(450,000)</u>
Total amounts unavailable for general expenditures within one year or without Board's approval	<u>(2,730,228)</u>	<u>(450,000)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 8,980,542</u>	<u>\$ 8,114,635</u>

The Organization also has a \$350,000 line of credit that they could draw upon in the event of unanticipated liquidity needs. At June 30, 2025 and 2024, there was no outstanding balance on this line.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE C: FAIR VALUE MEASUREMENTS

The Organization measures its investments at fair value on a recurring basis. U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under U.S. GAAP are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. Any methods described could produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at June 30, 2025 or 2024.

U.S. Treasury Bills: Valued at the closing price reported on the active market on which the U.S. Treasury Bills are traded.

At June 30, 2024, the U.S. Treasury Bills were level 2 investments with a fair value of \$3,266,878. The maturity dates were July 2024. There were no level 2 investments at June 30, 2025.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE D: INVESTMENTS

Investments consist of the following:

	June 30,	
	<u>2025</u>	<u>2024</u>
Equity investments	\$ 13,640,289	\$ 12,711,121
Notes receivable	1,270,000	1,515,000
Simple agreements for future equity (SAFE)	<u>5,660,000</u>	<u>4,260,000</u>
	20,570,289	18,486,121
Reserve for impaired investments	<u>(540,000)</u>	<u>(524,578)</u>
	<u>\$ 20,030,289</u>	<u>\$ 17,961,543</u>

Equity investments are investments in companies that the Organization receives in exchange for services provided to that company and those that have been acquired through the use of program funding if specifically authorized by the funding agency. The equity investments include investments in preferred stock of twenty-nine companies at both June 30, 2025 and 2024 that total \$13,398,814 and \$12,069,646 at June 30, 2025 and 2024, respectively. Certain of the preferred stock investments include conversion options and liquidation preferences.

Notes receivable are convertible promissory notes from unrelated parties and vary in amount, bearing fixed interest ranging from 7% to 10% per annum and have maturity dates through June 2027.

Simple agreements for future equity are with unrelated parties and define the Organization's rights to equity securities of the investees when certain events occur in the future.

All investments are recorded at cost, representative of either the value of the services delivered or the cash paid. Investments are valued annually for any impairment, and if determined to be impaired, the investments are written down accordingly. If circumstances surrounding the investment change, the Organization will revalue the investment back to original cost. At June 30, 2025, management determined that two investments totaling \$200,000 were impaired due to the financial performance of the companies and no investments that were revalued back to cost. The \$200,000 includes accrued interest of \$34,578. . At June 30, 2024, management determined that two investments totaling \$150,000 were impaired due to the financial performance of the companies and no investments that were revalued back to cost.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE E: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	June 30,	
	2025	2024
Buildings and building improvements	\$ 12,266,016	\$ 12,266,016
Equipment	1,490,928	1,447,382
Construction in progress	2,152,744	4,658
	<u>15,909,688</u>	<u>13,718,056</u>
Less accumulated depreciation	4,212,380	3,780,374
	<u>\$ 11,697,308</u>	<u>\$ 9,937,682</u>

In September 2024, the Organization entered into a purchase agreement to acquire additional space within the Sibley Building for \$2,000,000. Construction in process relates to the purchase of the space and various professional fees incurred. Construction in progress is stated at cost. No provision for depreciation is made on construction in progress until such time as the relevant assets are complete and put into use. Total construction costs are estimated to be \$10,000,000 and construction is expected to be completed by fiscal year ending June 30, 2028.

NOTE F: GRANTS AND CONCENTRATIONS

The Organization receives grant income from various New York State agencies which fund various programs. Grant contracts are renewed periodically based upon an approved budget.

The Organization had three and four reimbursement contracts, respectively, during fiscal 2025 and fiscal 2024 with NYSTAR. The total grant income recorded by the Organization, representing actual and anticipated reimbursement of costs incurred under the manufacturing program, for Manufacturing Extension Partnership (MEP) and the Technology Development Organization (TDO) amounted to approximately \$850,000 and \$890,000 for the years ended June 30, 2025 and 2024, respectively. The Hot Spot, contract for the purpose of supporting incubation, amounted to approximately \$285,000 and \$275,000 for the years ended June 30, 2025 and 2024, respectively.

The Organization has two reimbursement contracts with NYSERDA for the purpose of supporting clean energy startup companies. These contracts amounted to approximately \$2,809,000 and \$2,664,000 for the years ended June 30, 2025 and 2024, respectively.

The Organization has an additional reimbursement contract with Empire State Development for the purpose of developing and funding the photonics accelerator through 2024. This contract amounted to approximately \$3,958,000 and \$4,622,000 for the years ended June 30, 2025 and 2024, respectively.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE F: GRANTS AND CONCENTRATIONS, Cont'd

The Organization has an additional reimbursement contract with Empire State Development for the purpose of redeveloping and expanding additional space at Sibley Square through 2031. Revenue from this contract amounted to approximately \$1,009,000 for the year ended June 30, 2025. There was no such contract for the year ended June 30, 2024.

The Organization has two reimbursement contracts with the NSF for the purpose of transferring knowledge and experience from an existing startup accelerator to a newly formed accelerator in a different region with a different technology focus. The estimated end date is December 2025. These contracts amounted to approximately \$1,265,000 and \$739,000 for the year ended June 30, 2025 and 2024, respectively.

Other grants and reimbursement contracts amounting to approximately \$760,000 and \$736,000 were received for the years ended June 30, 2025 and 2024, respectively.

For the years ended June 30, 2025 and 2024, revenue from the following grants accounted for more than 10% of total revenues and support:

	<u>Year ended June 30,</u>	
	<u>2025</u>	<u>2024</u>
NYSERDA	21%	19%
Empire State Development (ESD)	38%	34%

At June 30, 2025, receivables from ESD and NYSERDA accounted for 47% and 25%, respectively, of grants receivable

At June 30, 2024, receivables from NYSERDA accounted for 26% of grants receivable. There were no amounts outstanding from ESD at June 30, 2024.

NOTE G: LINE OF CREDIT

The Organization has a revolving line of credit, in the aggregate amount of \$350,000. The interest rate is prime plus 0.81% (an effective rate of 8.31% at June 30, 2025). There were no outstanding borrowings at June 30, 2025 or 2024.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE H: LEASING ARRANGEMENTS

During the years ended June 30, 2025 and 2024, the Organization leased office space to tenants at the Sibley Building with lease terms of various lengths. The approximate future minimum rental income under the Sibley Building leases, excluding charges for utilities and services, is summarized as follows:

Year ending June 30,

2026	\$ 217,000
2027	<u>5,000</u>
	<u>\$ 222,000</u>

NOTE I: COMMITMENTS

During September 2024, the Organization selected recipients for \$2,000,000 of new equity investments which were received and invested during fiscal 2025.

During October 2025, the Organization selected recipients for \$2,100,000 of new equity investments which are expected to be received and invested during fiscal 2026.

NOTE J: 401(k) PLAN

The Organization contracted with Alcott Group which assumed all employees of the Organization and, in turn, are leased back to the Organization. The leased employees are covered by the Alcott Group 401(k) Plan (the "Plan"), and the Plan provides for tax deferred employee contributions. Employer contributions to the Plan are discretionary and determined annually by the Board of Directors. The Organization has a matching program which requires the Organization to make a matching contribution of 100% of participants' contributions to the Plan, up to 4% of the participants' eligible compensation. Matching contributions were \$124,744 and \$105,564 for the years ended June 30, 2025 and 2024, respectively.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE K: NET ASSETS

Net assets without donor restrictions are as follows:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Undesignated	\$ 23,056,367	\$ 22,007,946
Board designated for capital reserve	450,000	450,000
Invested in property and equipment	<u>11,697,308</u>	<u>9,937,682</u>
	<u>\$ 35,203,675</u>	<u>\$ 32,395,628</u>

Net assets with donor restrictions are restricted for the following reasons:

	<u>June 30,</u>	
	<u>2025</u>	<u>2024</u>
Subject to expenditure for a specified purpose:		
Clean energy manufacturing hub	<u>\$ 180,228</u>	<u>\$ -</u>

NOTE L: FUNCTIONAL EXPENSES

The consolidated financial statements report certain categories of expenses that are attributed to one or more program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses that are allocated to more than one program or supporting function are allocated on the basis of estimates of time and effort or square footage.

NOTE M: MANAGEMENT AGREEMENT

Effective January 1, 2018, NextCorps and LVCC entered into a management agreement that calls for NextCorps to manage the capital investments made by LVCC in early-stage, high-growth companies. The fee for these services shall be 2% of NextCorps' average invested capital to be calculated and paid quarterly, not to exceed \$150,000 annually. In September 2021, the management fee was suspended for the year ended June 30, 2022, but was reinstated during the year ended June 30, 2023 only for certain investments. During the years ended June 30, 2025 and 2024, the total management fees were approximately \$115,000 and \$119,000, respectively. Amounts were eliminated in consolidation.

NEXTCORPS, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, Cont'd

JUNE 30, 2025

(With Comparative Totals for 2024)

NOTE N: CONTRIBUTIONS – GIFTS-IN-KIND

The following table outlines the breakout of the different types of gifts-in-kind recognized and the program that benefited from the gift-in kind contributions. The Organization received donated services that included time from a program partner for various consulting projects for companies within the program and donated professional fees for the additional Sibley Building space. These consulting services are valued at the estimated fair value based on current rates for similar consultants. There were \$175,735 and \$46,450 worth of gifts-in-kind received during the years ended June 30, 2025 and 2024, respectively.

<u>Program or Supporting Service</u>	<u>Donated services</u>
<u>Year ended June 30, 2025</u>	
Capitalized professional services for Sibley Building expansion	\$ 89,195
New Venture Services	<u>86,540</u>
Total	<u>\$ 175,735</u>
 <u>Year ended June 30, 2024</u>	
New Venture Services	<u>\$ 46,450</u>

NEXTCORPS, INC. AND SUBSIDIARY

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS



BUSINESS
ADVISORS
AND CPAS

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*

Board of Directors
NextCorps, Inc. and Subsidiary

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of NextCorps, Inc. and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2025 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated November 10, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered NextCorps, Inc. and Subsidiary's internal control over financial reporting (internal control) as a basis for designing 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 NextCorps, Inc. and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of NextCorps, Inc. and Subsidiary'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 NextCorps, Inc. and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Mengel, Metzger, Baw & Co. LLP

Rochester, New York
November 10, 2025

NEXTCORPS, INC. AND SUBSIDIARY
ROCHESTER, NEW YORK
SCHEDULES REQUIRED BY
GOVERNMENT AUDITING STANDARDS AND
THE UNIFORM GUIDANCE
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2025



BUSINESS
ADVISORS
AND CPAS

CONTENTS

<u>SCHEDULES REQUIRED BY GOVERNMENT AUDITING STANDARDS AND THE UNIFORM GUIDANCE</u>	<u>PAGE</u>
Independent Auditor's Report on Compliance for the Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards in Accordance with the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Schedule of Findings and Questioned Costs	7



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Directors
NextCorps, Inc. and Subsidiary

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited NextCorps, Inc. and Subsidiary'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 NextCorps, Inc. and Subsidiary's major federal program for the year ended June 30, 2025. NextCorps, Inc. and Subsidiary'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, NextCorps, Inc. and Subsidiary 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, 2025.

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 (*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 NextCorps, Inc. and Subsidiary 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 NextCorps, Inc. and Subsidiary'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 NextCorps, Inc. and Subsidiary'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 NextCorps, Inc. and Subsidiary'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 NextCorps, Inc. and Subsidiary'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 NextCorps, Inc. and Subsidiary'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 NextCorps, Inc. and Subsidiary'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 NextCorps, Inc. and Subsidiary's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the consolidated financial statements of NextCorps, Inc. and Subsidiary as of and for the year ended June 30, 2025, and have issued our report thereon dated November 10, 2025, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Mengel, Metzger, Baw & Co. LLP

Fairport, New York
December 17, 2025

NEXTCORPS, INC. AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2025

	<u>Federal AL Number</u>	<u>Pass-through Grantor's Number</u>	<u>Total Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Department of Commerce:				
<u>Pass Through The Research Foundation for SUNY</u>				
<u>on behalf of the University at Buffalo:</u>				
Regional Technology and Innovation Hubs	11.039	R1432334	\$ 21,766	\$ -
<u>Pass Through Empire State Development's Division</u>				
<u>of Science, Technology, & Innovation:</u>				
Manufacturing Extension Partnership Program	11.611	C210091	<u>560,000</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF COMMERCE			581,766	-
National Science Foundation:				
<i>Research & Development Cluster</i>				
Technology, Innovation, and Partnerships Program	47.084		1,203,595	685,438
<u>Pass Through University of Rochester:</u>				
Technology, Innovation, and Partnerships Program	47.084	GR534152	<u>61,441</u>	<u>-</u>
TOTAL NATIONAL SCIENCE FOUNDATION			<u>1,265,036</u>	<u>685,438</u>
TOTAL ALL PROGRAMS			<u>\$ 1,846,802</u>	<u>\$ 685,438</u>

NOTE A: BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of NextCorps, Inc. and Subsidiary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NextCorps, Inc. and Subsidiary has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NEXTCORPS, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2025

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	yes <u> x </u>	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes <u> x </u>	none reported
Noncompliance material to financial statements noted?	_____	yes <u> x </u>	no

Federal Awards

Internal control over major programs:			
• Material weakness(es) identified?	_____	yes <u> x </u>	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes <u> x </u>	none reported
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)?	_____	yes <u> x </u>	no

Identification of major program:

AL Number:

47.084

Name of Federal Program or Cluster:

National Science Foundation

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

 \$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

NEXTCORPS, INC. AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Cont'd

YEAR ENDED JUNE 30, 2025

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None.