

**STEPHENSON STELLAR CORPORATION**  
Shreveport, Louisiana

**FINANCIAL STATEMENTS**  
Years ended June 30, 2023 and June 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Stephenson Stellar Corporation  
Shreveport, Louisiana

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

#### ***Opinion***

We have audited the accompanying financial statements of Stephenson Stellar Corporation (Stellar or the Company), which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stellar as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Stellar 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.

#### ***Other Matters***

##### ***Adoption of Accounting Standard***

As discussed in Note 1 to the financial statements, management has adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02: Leases. Our opinion is not modified with regard to this matter.

##### ***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

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

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

Board of Directors  
Stephenson Stellar Corporation

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2023 on our consideration of Stellar'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 Stellar'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 Stellar's internal control over financial reporting and compliance.

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

**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 2, 2023

**STEPHENSON STELLAR CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2023 and 2022

|  | <b>2023</b>         | <b>2022</b>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>                                |                     |                     |
| <b>CURRENT ASSETS</b>                        |                     |                     |
| Cash and cash equivalents                    | \$ 753,358          | \$ 3,093,144        |
| Certificate of deposit                       | 241,834             | -                   |
| Accrued interest                             | 3,168               | -                   |
| Accounts receivable                          | 2,869,209           | 1,411,385           |
| Other current assets                         | 229,555             | 147,070             |
| Total current assets                         | 4,097,124           | 4,651,599           |
| <b>OTHER ASSETS</b>                          |                     |                     |
| Right of Use Assets                          | 280,842             | -                   |
| Security Deposits                            | 30,387              | 41,480              |
| Total other assets                           | 311,229             | 41,480              |
| <b>TOTAL ASSETS</b>                          | <b>\$ 4,408,353</b> | <b>\$ 4,693,079</b> |
| <b>LIABILITIES AND NET ASSETS</b>            |                     |                     |
| <b>CURRENT LIABILITIES</b>                   |                     |                     |
| Accounts payable and accrued expenses        | \$ 163,453          | \$ 262,334          |
| Lease Liability, Current Portion             | 135,891             | -                   |
| Accrued compensation and annual leave        | 888,738             | 1,054,936           |
| Total current liabilities                    | 1,188,082           | 1,317,270           |
| <b>NON-CURRENT LIABILITIES</b>               |                     |                     |
| Lease Liability, Non-Current Portion         | 147,343             | -                   |
| <b>TOTAL LIABILITIES</b>                     | 1,335,425           | 1,317,270           |
| <b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b> | <b>3,072,928</b>    | <b>3,375,809</b>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>      | <b>\$ 4,408,353</b> | <b>\$ 4,693,079</b> |

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

**STEPHENSON STELLAR CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**Years ended June 30, 2023 and 2022**

|                                      | <b>2023</b>  | <b>2022</b>   |
|--------------------------------------|--------------|---------------|
| <b>REVENUE</b>                       |              |               |
| Program revenue                      | \$ 8,815,881 | \$ 13,130,757 |
| <b>COSTS AND EXPENSES</b>            |              |               |
| Program:                             |              |               |
| Contract costs                       | 6,992,129    | 10,683,022    |
| Supporting services:                 |              |               |
| Management and general               | 1,883,881    | 2,002,013     |
| Total costs and expenses             | 8,876,010    | 12,685,035    |
| <b>OTHER EXPENSES</b>                | 242,752      | 196,015       |
| <b>CHANGE IN NET ASSETS</b>          | (302,881)    | 249,707       |
| <b>NET ASSETS, BEGINNING OF YEAR</b> | 3,375,809    | 3,126,102     |
| <b>NET ASSETS, END OF YEAR</b>       | \$ 3,072,928 | \$ 3,375,809  |

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

**STEPHENSON STELLAR CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30, 2023 and 2022**

|   | <b>2023</b>        | <b>2022</b>         |
|---|--------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                    |                     |
| Change in net assets  | \$ (302,881)       | \$ 249,707          |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                    |                     |
| Unrealized gain on certificate of deposit   | 3,166              | -                   |
| Right of Use Asset Amortization   | 142,100            | -                   |
| Effects of changes in operating assets and liabilities:                                     |                    |                     |
| Accounts receivable, net  | (1,457,824)        | 116,745             |
| Accrued interest  | (3,168)            | -                   |
| Other assets  | (71,392)           | (76,204)            |
| Accounts payable and accrued expenses   | (98,881)           | 180,538             |
| Accrued compensation and annual leave   | (166,198)          | 344,778             |
| Lease Liability   | (139,708)          | -                   |
| Deferred revenue  | -                  | (6,998)             |
| Cash (used) provided by operating activities  | <u>(2,094,786)</u> | <u>808,566</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                    |                     |
| Purchase of Certificate of Deposit  | (245,000)          | -                   |
| <b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>                                 | (2,339,786)        | 808,566             |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | 3,093,144          | 2,284,578           |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <u>\$ 753,358</u>  | <u>\$ 3,093,144</u> |
| <b>SUPPLEMENTAL INFORMATION</b>   |                    |                     |
| Noncash Transactions Arising from the ASC 842 Adoption:                                     |                    |                     |
| Right-of-use assets obtained in exchange for new operating lease liabilities:               | \$ 413,179         | \$ -                |

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

**STEPHENSON STELLAR CORPORATION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years ended June 30, 2023 and 2022**

|                                       | <b>2023</b>                 |                                   |                           | <b>2022</b>                 |                                   |                           |
|---------------------------------------|-----------------------------|-----------------------------------|---------------------------|-----------------------------|-----------------------------------|---------------------------|
|                                       | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Total<br/>Expenses</b> | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Total<br/>Expenses</b> |
| Salaries, benefits, and payroll taxes | \$ 4,989,203                | \$ 685,068                        | \$ 5,674,271              | \$ 4,507,764                | \$ 1,062,149                      | \$ 5,569,913              |
| Other services                        | 1,131,719                   | -                                 | 1,131,719                 | 5,485,036                   | -                                 | 5,485,036                 |
| Other direct costs                    | 50,930                      | -                                 | 50,930                    | 13,799                      | -                                 | 13,799                    |
| Occupancy                             | 228,421                     | 191,549                           | 419,970                   | 122,486                     | 215,857                           | 338,343                   |
| Travel                                | 291,385                     | 249,692                           | 541,077                   | 295,905                     | 138,665                           | 434,570                   |
| Professional fees                     | -                           | 628,697                           | 628,697                   | -                           | 479,331                           | 479,331                   |
| Conferences and training              | 145,341                     | 33,404                            | 178,745                   | 126,168                     | 14,816                            | 140,984                   |
| Insurance                             | -                           | 33,473                            | 33,473                    | -                           | 31,503                            | 31,503                    |
| Other expense                         | 155,130                     | 61,998                            | 217,128                   | 131,864                     | 59,692                            | 191,556                   |
| <b>Total excluding unallowable</b>    | <b>\$ 6,992,129</b>         | <b>\$ 1,883,881</b>               | <b>\$ 8,876,010</b>       | <b>\$ 10,683,022</b>        | <b>\$ 2,002,013</b>               | <b>\$ 12,685,035</b>      |
| Unallowable costs                     | -                           | 242,752                           | 242,752                   | -                           | 196,015                           | 196,015                   |
| <b>Total expenses</b>                 | <b>6,992,129</b>            | <b>2,126,633</b>                  | <b>9,118,762</b>          | <b>10,683,022</b>           | <b>2,198,028</b>                  | <b>12,881,050</b>         |

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

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

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

**Revenue Recognition**

The Company recognizes contract revenue over time, as performance obligations are satisfied, due to the continuous transfer of control to the customer. Contracts are generally accounted for as a single performance obligation. The Company's revenues result primarily from time and material (T&M), and cost-plus-fixed-fee (CPFF) type contracts and subcontracts with various federal government agencies and contractors. Revenue on time and material contracts is recognized based on hours incurred, extended at contract rates. Revenue recorded under CPFF contracts represents the costs incurred, plus a portion of the fee earned based on incurred costs for each performance obligation.

Contract and grant costs include labor and related labor costs and other directly assignable costs. Indirect costs and general and administrative costs are charged to expense as incurred. 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.

**Net Assets**

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, board-designated net assets.

*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. Stellar had no net assets with donor restrictions as of June 30, 2023 or 2022.

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are generated from prime contracts with the U.S. government and subcontracting arrangements with commercial entities that perform work for U.S. governmental entities. Accounts receivable are stated at gross value less an allowance for doubtful accounts. Credit is extended to commercial customers after an evaluation of the customer's financial condition, and generally collateral is not required. Management's determination of the allowance for doubtful accounts is based on an evaluation of the accounts receivable, past experience, current economic conditions, and other risks inherent in the accounts receivable portfolio.

Billed accounts receivable are considered past due if the invoice has been outstanding more than 30 days. Stellar does not charge interest on accounts receivable; however, U.S. governmental agencies may pay interest on invoices outstanding more than 30 days. Stellar records such interest as income when received.

Unbilled accounts receivable are included in accounts receivable and include work-in-process which will be billed in accordance with contract terms and delivery schedules, as well as amounts billable upon final execution of contracts, contract completion, milestones or completion of indirect rate negotiations. Performance-based fees, including award and incentive fees, are considered earned when Stellar can demonstrate satisfaction of performance, based upon historical experience, or has received contractual notification from the customer that the fee has been earned. To the extent that a revised estimate affects contract profit or revenue previously recognized, Stellar records the cumulative effect of the revision in the period in which the facts requiring the revision become known.

Generally, unbilled accounts receivable are expected to be billed and collected within one year and have been recorded at amounts expected to be realized upon final settlement.

Management assessed the need for an allowance by regularly evaluating receivables and considering its customers' financial condition, credit history, and current economic conditions. At June 30, 2023 and 2022, management has determined that no allowance for collectability is required.

As of July 1, 2021, accounts receivable from contract with customers was \$1,528,130.

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Adoption of Accounting Standards**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

Stellar adopted the requirements of the guidance effective July 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under prior lease guidance in FASB Accounting Standards Codification (ASC) 840.

Stellar has elected to adopt the package of practical expedients available in the year of adoption. Stellar has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of Stellar's ROU assets.

Stellar elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, Stellar recognized on July 1, 2022, a lease liability of \$413,179, which represents the present value of the remaining operating lease payments discounted using the risk free rate of 2.85%, and a ROU asset of \$413,179.

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases**

Stellar leases office space. Stellar determines if an arrangement is a lease at inception. Operating leases are included in the right-of-use asset (ROU) and lease liability on the consolidated statements of financial position.

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

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

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

The individual lease contract does not provide information about the discount rate implicit in the lease. Therefore, Stellar has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liability.

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Major Client Concentrations Risk**

Stellar's revenue is generated from prime contracts with the U.S government and subcontracts with various commercial entities. Substantially all contract receivables at June 30, 2023 and 2022, were due from the U.S. government.

During the years ended June 30, 2023 and 2022, the Company had significant contracts with three and two customers comprising 98% and 99% of revenue, respectively. At June 30, 2023 and 2022, the Company had significant receivables from these two customers representing 91% and 99% of total receivables, respectively.

**Risks and Uncertainties**

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

**Using Estimates in Preparing Financial Statements**

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

**Functional Expenses**

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

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

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

Stellar has evaluated the effect of guidance in *Accounting for Uncertainty in Income Taxes* (ASC 740-10). Management believes that the Company continues to satisfy the requirements of a tax-exempt organization at June 30, 2023 and 2022. Management has evaluated all other tax positions that could have a significant effect on the financial statements and determined Stellar had no uncertain income tax positions at June 30, 2023 and 2022.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

Stellar has financial assets of \$3,867,569 and \$4,504,529 as of June 30, 2023 and 2022, respectively, consisting of cash and accounts receivable available within one year of the statements of financial position date. Stellar's practice is to maintain 75 days (2 times its average collection period) of cash and invest the remainder in short-term certificates of deposit. None of the financial assets are subject to donor or contract restrictions that make them unavailable for general expenditure within one year of the financial statement date. Stellar monitors contract performance and results of operations closely to ensure adequate resources are available.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

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

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 4 – CERTIFICATE OF DEPOSIT & FAIR VALUE MEASUREMENT**

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

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

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

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

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

**NOTE 5 – ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following as of June 30:

|                                 | <u>2023</u>         | <u>2022</u>         |
|---------------------------------|---------------------|---------------------|
| Billed, net of allowance of \$0 | \$ 1,649,240        | \$ 1,177,230        |
| Unbilled                        | <u>1,219,969</u>    | <u>234,155</u>      |
| <b>Total</b>                    | <u>\$ 2,869,209</u> | <u>\$ 1,411,385</u> |

Unbilled receivables consist primarily of timing differences between billings (which are determined based upon contractually set milestones) and amounts recognized as earned (which are based upon costs incurred and contract performance).

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 6 – PENSION PLAN**

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

| <u>Years of Vesting Service</u> | <u>Percentage Vested</u> |
|---------------------------------|--------------------------|
| Less than 2                     | 0%                       |
| 2 but less than 3               | 20%                      |
| 3 but less than 4               | 40%                      |
| 4 but less than 5               | 60%                      |
| 5 but less than 6               | 80%                      |
| 6 or more                       | 100%                     |

Safe Harbor and discretionary profit sharing contributions expense incurred by Stellar for the fiscal years ended June 30, 2023 and 2022, totaled \$380,834 and \$436,622, respectively.

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 7 – OPERATING LEASE COMMITMENT**

Stellar is obligated under a noncancellable lease for office space with an expiration date occurring in Sept 2025. The lease specifies scheduled rent increases over the lease term. The obligation under the lease is represented on the consolidated statements of financial position as a lease liability which is the discounted future lease payments. The payments are discounted using an average risk free of 2.85% as a practical expedient which is the weighted average discount rate. A right of use (ROU) asset is recorded on the statements of financial position that represents the occupancy rights Stellar has relative to the office space. The weighted average remaining lease term as of June 30, 2023 is 2.1 years. Cash paid for amounts included in the measurement of the operating lease liability totaled \$139,708 for the year-end June 30, 2023.

Total operating lease costs amounted to \$142,099 and \$195,874 for the years ended June 30, 2023 and 2022.

Lease payments undiscounted required to be disclosed under ASC 840 as well as the present value required by ASC 842 are as follow:

| <u>Year Ending June 30:</u> | <u>Operating<br/>Lease Payment</u> |
|-----------------------------|------------------------------------|
| 2024                        | \$ 141,868                         |
| 2025                        | 132,047                            |
| 2026                        | <u>17,389</u>                      |
| Total                       | 291,304                            |
| Discount                    | <u>(8,070)</u>                     |
| Present Value               | <u><u>\$ 283,234</u></u>           |

In accordance with the requirements of ASC 840 the below are required for comparative reporting purposes as of June 30, 2022:

| <u>Year Ending June 30:</u> | <u>Operating<br/>Lease Payment</u> |
|-----------------------------|------------------------------------|
| 2023                        | \$ 282,218                         |
| 2024                        | 91,222                             |
| 2025                        | 63,000                             |

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2023 and 2022**

**NOTE 8 – CONTINGENCY**

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

**NOTE 9 – LINE OF CREDIT**

Stellar has a revolving bank line of credit with a total borrowing amount of \$2,000,000. There were no borrowings outstanding on the line of credit at June 30, 2023 and 2022. Amounts drawn against the line of credit are payable on demand and bear interest at the bank's adjusted SOFR Rate. At June 30, 2023, interest was 8.44%. The line is collateralized by substantially all of Stellar's assets. Stellar received a line of credit advance of \$1,000,000 on July 14, 2023.

**NOTE 10 – SUBSEQUENT EVENTS**

Management evaluated subsequent events through November 2, 2023, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2023, but prior to November 2, 2023, that provided additional evidence about conditions that existed at June 30, 2023, have been recognized in the financial statements for the year ended June 30, 2023. Events or transactions that provided evidence about conditions that did not exist at June 30, 2023, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2023.

**STEPHENSON STELLAR CORPORATION**  
**SINGLE AUDIT REPORT**  
**YEAR ENDED JUNE 30, 2023**



CPAs | CONSULTANTS | WEALTH ADVISORS

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**STEPHENSON STELLAR CORPORATION  
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Stephenson Stellar Corporation  
Shreveport, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Stephenson Stellar Corporation (a nonprofit organization), 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 statements, and have issued our report thereon dated November 2, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

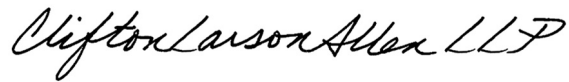
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Stephenson Stellar Corporation’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of This Report***

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



**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 2, 2023



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

Board of Directors  
Stephenson Stellar Corporation  
Shreveport, Louisiana

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

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

In our opinion, Stephenson Stellar Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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

### ***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 Stephenson Stellar Corporation's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control Over Compliance**

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

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

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

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

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

We have audited the financial statements of Stephenson Stellar Corporation as of and for the year ended June 30, 2023, and have issued our report thereon dated November 2, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
November 2, 2023

**STEPHENSON STELLAR CORPORATION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2023**

| Federal Grantor/Pass-through<br>Grantor/Program or Cluster Title | Federal<br>ALN<br>Number | Federal<br>Expenditures | Pass-through<br>to<br>Subrecipients |
|--|--------------------------|-------------------------|-------------------------------------|
| <b>U.S. Department of Defense</b>                                |                          |                         |                                     |
| <b>Basic and Applied Scientific Research Program</b>             |                          |                         |                                     |
| <b>Research and Development Cluster:</b>                         |                          |                         |                                     |
| SDA STEC Support<br>FA240123C0010                                | 12.UO1                   | \$ 76,896               | -                                   |
| AFRL 5GITL<br>FA8750-21-C-1502                                   | 12.UO1                   | 3,083,231               | -                                   |
| AFRL SSCR<br>FA8750-21-C-1503                                    | 12.UO1                   | <u>2,967,580</u>        | -                                   |
| Total Research and Development Cluster:                          |                          | <u>6,127,707</u>        | <u>\$ -</u>                         |
| Total U.S. Department of Defense                                 |                          | <u>6,127,707</u>        |                                     |
| Total Expenditures of Federal Awards                             |                          | <u>\$ 6,127,707</u>     |                                     |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2023**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Stephenson Stellar Corporation (the Company) 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 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Stephenson Stellar Corporation, it is not intended to and does not present the financial position, changes in assets, or cash flows of Stephenson Stellar Corporation.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule presents the activity of all federal award programs of the Company for the year ended June 30, 2023.

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

**Basis of Accounting**

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

**Nature of Operations**

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

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2023**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**Reimbursements**

The Company requests reimbursement through the monthly billing of customers.

**Costs**

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

**Subsequent Event**

The Company has evaluated events and transactions for potential recognition or disclosure in the statement of reimbursements and costs through November 2, 2023, the date the schedule of expenditures of federal awards was available to be issued.

**STEPHENSON STELLAR CORPORATION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2023**

**NOTE 3   INDIRECT COSTS**

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

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

**NOTE 4   CONTINGENCIES**

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

**STEPHENSON STELLAR CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2023**

***Section I – Summary of Auditors’ Results***

***Financial Statements***

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ X \_\_\_\_\_ no

***Federal Awards***

1. Internal control over major federal programs:

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

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

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

***Identification of Major Federal Programs***

| <b>ALN Number(s)</b> | <b>Name of Federal Program or Cluster</b>                     |
|----------------------|---|
| 12.UO1               | Basic and Applied Scientific Research And Development Cluster |

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_\_\_ X \_\_\_\_\_ No

**STEPHENSON STELLAR CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2023**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with Government Auditing Standards.

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***Section III – Federal Award Findings***

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