

STEPHENSON STELLAR CORPORATION
Shreveport, Louisiana

FINANCIAL STATEMENTS
Years ended June 30, 2022 and June 30, 2021



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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, 2022 and 2021, 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 Stephenson Stellar as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). For the year ended June 30, 2022, we also conducted our audit in accordance with 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 Stephenson Stellar Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 Stephenson Stellar Corporation'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:

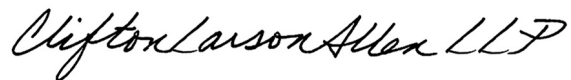
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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 Stephenson Stellar Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Stephenson Stellar Corporation's ability to continue as a going concern for a reasonable period of time.

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

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 January 17, 2023, on our consideration of Stephenson Stellar Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stephenson Stellar Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stephenson Stellar Corporation's internal control over financial reporting and compliance.

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

CliftonLarsonAllen LLP

Greenbelt, Maryland
January 17, 2023

STEPHENSON STELLAR CORPORATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,093,144	\$ 2,284,578
Accounts receivable	1,411,385	1,528,130
Other current assets	147,070	95,646
Total current assets	4,651,599	3,908,354
OTHER ASSETS		
Security Deposits	41,480	16,700
TOTAL ASSETS	\$ 4,693,079	\$ 3,925,054
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 262,334	\$ 81,796
Accrued compensation and annual leave	1,054,936	710,158
Deferred revenue	-	6,998
Total current liabilities	1,317,270	798,952
TOTAL LIABILITIES	1,317,270	798,952
NET ASSETS WITHOUT DONOR RESTRICTIONS	3,375,809	3,126,102
TOTAL LIABILITIES AND NET ASSETS	\$ 4,693,079	\$ 3,925,054

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

STEPHENSON STELLAR CORPORATION
STATEMENTS OF ACTIVITIES
Years ended June 30, 2022 and 2021

	2022	2021
REVENUE		
Program revenue	\$ 13,130,757	\$ 6,640,375
Contributions and donations	-	-
Total Revenue	13,130,757	6,640,375
COSTS AND EXPENSES		
Program:		
Contract costs	10,683,022	4,974,512
Supporting services:		
Management and general	2,002,013	777,120
Total costs and expenses	12,685,035	5,751,632
OTHER EXPENSES	196,015	81,845
CHANGE IN NET ASSETS	249,707	806,898
NET ASSETS, BEGINNING OF YEAR	3,126,102	2,319,204
NET ASSETS, END OF YEAR	\$ 3,375,809	\$ 3,126,102

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

STEPHENSON STELLAR CORPORATION
STATEMENTS OF CASH FLOWS
Years ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 249,707	\$ 806,898
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Accounts receivable, net	116,745	(743,193)
Other assets	(76,204)	(78,858)
Accounts payable and accrued expenses	180,538	71,987
Accrued compensation and annual leave	344,778	352,447
Deferred revenue	(6,998)	6,998
Cash provided by operating activities	808,566	416,279
NET INCREASE IN CASH AND CASH EQUIVALENTS	808,566	416,279
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,284,578	1,868,299
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,093,144	\$ 2,284,578

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

STEPHENSON STELLAR CORPORATION
STATEMENTS OF FUNCTIONAL EXPENSES
Years ended June 30, 2022 and 2021

	2022			2021		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Salaries, benefits, and payroll taxes	\$ 4,507,764	\$ 1,062,149	\$ 5,569,913	\$ 3,790,268	\$ 286,656	\$ 4,076,924
Other services	5,485,036	-	5,485,036	650,046	-	650,046
Other direct costs	13,799	-	13,799	84,584	-	84,584
Occupancy	122,486	215,857	338,343	146,808	-	146,808
Travel	295,905	138,665	434,570	134,589	12,130	146,719
Professional fees	-	479,331	479,331	-	438,218	438,218
Conferences and training	126,168	14,816	140,984	92,930	-	92,930
Insurance	-	31,503	31,503	-	18,570	18,570
Repairs and maintenance	-	-	-	-	1,395	1,395
Other expense	131,864	59,692	191,556	75,287	20,151	95,438
Total	\$ 10,683,022	\$ 2,002,013	\$ 12,685,035	\$ 4,974,512	\$ 777,120	\$ 5,751,632

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

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, either by the passage of time or Stellar's incurrence of donor-specified expenses, net assets are reclassified to without donor restrictions. There were no restricted contributions as of June 30, 2022 and 2021. Cash received in advance and not yet earned is deferred to the applicable period.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 or 2021.

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.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (continued)

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, 2022 and 2021, management has determined that no allowance for collectability is required.

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, 2022 and 2021, were due from the U.S. government.

During the years ended June 30, 2022 and 2021, the Company had significant contracts with two customers comprising 99% and 100% of revenue, respectively. At June 30, 2022 and 2021, the Company had significant receivables from these two customers representing 99% and 100% 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.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

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

Income Taxes

Stellar qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code 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, 2022 and 2021. 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, 2022 and 2021.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization has financial assets of \$4,504,529 and \$3,812,708 as of June 30, 2022 and 2021, 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. The Organization 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. Total cash deposits held by the banks at June 30, 2022 and 2021, were \$3,109,575 and \$2,428,591, respectively.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Billed, net of allowance of \$0	\$ 1,177,230	\$ 1,523,516
Unbilled	<u>234,155</u>	<u>4,614</u>
Total	<u>\$ 1,411,385</u>	<u>\$ 1,528,130</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).

NOTE 5 – 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 contribution expense incurred by Stellar for the fiscal years ended June 30, 2022 and 2021, totaled \$131,622 and \$90,992, respectively. Stellar accrued \$13,120 and \$6,446 as of June 30, 2022 and 2021, respectively.

STEPHENSON STELLAR CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 6 – OPERATING LEASE COMMITMENT

The Company leases office space under operating lease agreements. These leases expire at various dates through fiscal year 2025. Rent expense for the years ended June 30, 2022 and 2021 was \$195,874 and \$74,947, respectively. The current leases call for the following payments for the next several years.

<u>Year Ending June 30:</u>	<u>Lease Payments</u>
2023	\$ 282,218
2024	91,222
2025	63,000

NOTE 7 – LINE OF CREDIT

The Company entered into a revolving bank line of credit on September 27, 2021 with a total borrowing amount of \$2,000,000. There were no borrowings outstanding on the line of credit at June 30, 2022. Amounts drawn against the line of credit are payable on demand and bear interest at a per annum rate equal to 3.925% plus London Interbank Offered Rate (LIBOR). At June 30, 2022, interest was 4.925%. The line is collateralized by substantially all of the Company's assets.

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 – SUBSEQUENT EVENTS

Management evaluated subsequent events through January 17, 2023, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2022, but prior to January 17, 2023, that provided additional evidence about conditions that existed at June 30, 2022, have been recognized in the financial statements for the year ended June 30, 2022. Events or transactions that provided evidence about conditions that did not exist at June 30, 2022, 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, 2022.

STEPHENSON STELLAR CORPORATION
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2022



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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 (the Corporation), which comprise the statement of financial position as of June 30, 2022, 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 February 3, 2023.

Internal Control Over Financial Reporting

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

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

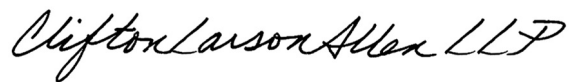
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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 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 result of that testing, and not to provide an opinion on the effectiveness of the Corporation’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenbelt, Maryland
February 3, 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 (Stellar or the Company) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended June 30, 2022. Stellar'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, the Company 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, 2022.

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 Stellar 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 Stellar'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.

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 Stellar'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 Stellar's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Company'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

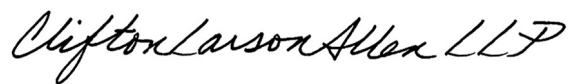
deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, 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 Stellar as of and for the year ended June 30, 2022, and have issued our report thereon dated February 3, 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

Greenbelt, Maryland
February 3, 2023

STEPHENSON STELLAR CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal ALN Number	Federal Expenditures	Pass-through to Subrecipients
U.S. Department of Defense			
Basic and Applied Scientific Research Program			
Research and Development Cluster:			
AFRL 5GITL FA8750-21-C-1502	12.UO1	2,929,591	-
AFRL SSCR FA8750-21-C-1503	12.UO1	<u>5,724,812</u>	-
Total Research and Development Cluster:		<u>8,654,403</u>	<u>\$ -</u>
Total U.S. Department of Defense		<u>8,654,403</u>	
Total Expenditures of Federal Awards		<u><u>\$ 8,654,403</u></u>	

See accompanying Notes to Schedule of Expenditures of Federal Awards.

STEPHENSON STELLAR CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2022

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, 2022. 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, 2022.

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

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, 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Reimbursements

The Company requests reimbursement through the monthly billing of customers.

Costs

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

Subsequent Event

The Company has evaluated events and transactions for potential recognition or disclosure in the statement of reimbursements and costs through February 3, 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, 2022

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, 2022**

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

ALN Number(s)

12.UO1

Name of Federal Program or Cluster

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, 2022**

Section II – Financial Statement Findings

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

Section III – Federal Award Findings

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