



Riverside Research Institute and Subsidiary

Consolidated Financial Statements,
Independent Auditor's Report and Reports
Required by *Government Auditing Standards*
and the Uniform Guidance
Years Ended December 31, 2023 and 2022

Riverside Research Institute and Subsidiary

Consolidated Financial Statements, Independent Auditor's Report and
Reports Required by *Government Auditing Standards* and the
Uniform Guidance
Years Ended December 31, 2023 and 2022

Riverside Research Institute and Subsidiary

Contents

Independent Auditor's Report	1-3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities and Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7-23
Schedule of Expenditures of Federal Awards	
Schedule of Expenditures of Federal Awards	24-28
Notes to the Schedule of Expenditures of Federal Awards	29
Independent Auditor's Reports Required by <i>Government Auditing Standards</i> and the Uniform Guidance	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	32-34
Schedule of Findings and Questioned Costs	35-36
Management's Section	
Summary Schedule of Prior Audit Findings	37



Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive, Suite 800
McLean, VA 22102

Independent Auditor's Report

Board of Trustees
Riverside Research Institute and Subsidiary
New York, New York

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Riverside Research Institute and Subsidiary (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Supplementary Information

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



reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 3, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BDO USA, P.C.

McLean, Virginia
July 3, 2024

Consolidated Financial Statements

Riverside Research Institute and Subsidiary

Consolidated Statements of Financial Position

(in thousands)

December 31,	2023	2022
Assets		
Current assets		
Cash and cash equivalents	\$ 35,090	\$ 15,069
Investments	56,181	47,532
Contract receivables, net of allowance of \$14	33,320	33,916
Contract assets	28,766	25,908
Prepaid expenses and other current assets	2,948	2,984
Total current assets	156,305	125,409
Property and equipment, net	20,292	18,149
Operating lease right-of-use assets	19,855	7,953
Deferred income taxes	472	324
Deposits and other assets	355	586
Total assets	\$ 197,279	\$ 152,421
Liabilities and net assets		
Current liabilities		
Lines-of-credit	\$ -	\$ -
Accounts payable and accrued expenses	49,978	47,526
Contract liabilities	818	-
Operating lease liabilities, current	2,566	2,797
Total current liabilities	53,362	50,323
Deferred compensation	388	337
Operating lease liabilities	23,491	7,355
Total liabilities	77,241	58,015
Commitments and contingencies		
Net assets		
Net assets without donor restrictions	114,969	90,226
Non-controlling interest	5,069	4,180
Total net assets	120,038	94,406
Total liabilities and net assets	\$ 197,279	\$ 152,421

See accompanying notes to the consolidated financial statements.

Riverside Research Institute and Subsidiary

Consolidated Statements of Activities and Changes in Net Assets

(in thousands)

<i>Years Ended December 31,</i>	2023	2022
Revenue	\$ 419,626	\$ 368,601
Costs of revenue		
Direct expenses	284,849	254,647
Indirect expenses	110,982	97,874
Depreciation and amortization	3,597	3,214
Total costs of revenue	399,428	355,735
Change in net assets from operations	20,198	12,866
Non-operating activities		
Interest income	982	160
Interest expense	(14)	(203)
Net investment return	8,649	(9,871)
Unrealized gain on interest rate swap	-	74
Other income	21	12
Total non-operating activities, net	9,638	(9,828)
Change in net assets before provision for income taxes	29,836	3,038
Provision for income taxes	(3,151)	(3,266)
Change in net assets	26,685	(228)
Net assets at the beginning of the year	90,226	92,198
Change in net assets attributable to Riverside Research Institute	24,743	(1,972)
Net assets at the end of the year	\$ 114,969	\$ 90,226
Non-controlling interest at beginning of the year	\$ 4,180	\$ 3,278
Dividends paid to non-controlling interest	(1,053)	(842)
Increase in net assets attributable to non-controlling interest	1,942	1,744
Non-controlling interest at end of the year	\$ 5,069	\$ 4,180

See accompanying notes to the consolidated financial statements.

Riverside Research Institute and Subsidiary

Consolidated Statements of Cash Flows

(in thousands)

Years Ended December 31,	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 26,685	\$ (228)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,597	3,214
Reduction of operating lease right-of-use assets	2,899	2,946
Amortization of debt issuance costs	-	23
Net realized and unrealized (gains) losses on investments	(7,495)	11,022
Loss on disposal of property and equipment	-	217
Realized and unrealized gain on interest rate swap	-	(74)
Change in allowance for expected credit losses	-	14
Change in deferred income taxes	(148)	(46)
Changes in operating assets and liabilities:		
Contract receivables	596	(8,383)
Contract assets	(2,858)	(5,754)
Prepaid expenses and other current assets	36	(45)
Deposits and other assets	231	(142)
Accounts payable and accrued expenses	2,503	3,891
Contract liabilities	818	-
Operating lease liabilities	(3,135)	(3,533)
Net cash provided by operating activities	23,729	3,122
Cash flows from investing activities:		
Purchases of investments	(1,154)	(1,151)
Sales of investments	-	3,391
Purchases of property and equipment	(1,501)	(2,164)
Net cash (used in) provided by investing activities	(2,655)	76
Cash flows from financing activities:		
Principal payments and redemption under bond payable	-	(6,842)
Dividends paid to non-controlling interest	(1,053)	(842)
Net cash used in financing activities	(1,053)	(7,684)
Net increase (decrease) in cash	20,021	(4,486)
Cash at the beginning of the year	15,069	19,555
Cash at the end of the year	\$ 35,090	\$ 15,069
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 14	\$ 203
Cash paid for income taxes	\$ 2,930	\$ 3,151

See accompanying notes to the consolidated financial statements.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Riverside Research Institute (RRI) is a not-for-profit organization engaged in scientific and systems engineering research and program support services, primarily for the Department of Defense and other United States government agencies.

Applied Research Solutions, Inc. (ARS), a qualified small business concern, is a for-profit subsidiary of RRI providing services similar to RRI.

The significant accounting policies followed by RRI and ARS (collectively referred to as the Organization) in preparing the accompanying consolidated financial statements are as follows:

Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements and notes to the consolidated financial statements are presented in thousands, except for share data described in Note 7.

Basis of Accounting

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

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of RRI and ARS. All intercompany account balances and transactions have been eliminated in consolidation. The non-controlling interest is the portion of the equity and earnings from the minority stockholders of ARS.

Net Asset Classification

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

- *Net Assets Without Donor Restrictions* - net assets that are not subject to donor-imposed stipulations. This classification also includes RRI's portion of stockholders' equity in ARS.
- *Net Assets With Donor Restrictions* - net assets that are subject to donor-imposed stipulations that will be met either by the actions of the Organization and/or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the accompanying consolidated statements of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions may also include net assets required to be held in perpetuity. As of December 31, 2023 and 2022, there are no net assets with donor restrictions.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Operating Cycle

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

Measure of Operations

The Organization includes in its definition of operations all revenues and expenses associated with research and program support services. Interest income, interest expense, net investment return and other income are excluded from the measure of operations and are reported as non-operating activities.

Cash and Cash Equivalents

Cash and cash equivalents include currency on hand, demand deposits and a money market account with financial institutions.

Investments

Investments consist primarily of mutual funds that invest in stocks and bonds. Investments are reported in the consolidated statements of financial position at fair value based on quoted market prices. These investments are held in the custody of a major financial institution. Dividends and realized and unrealized gains and losses are reported as net investment return from non-operating activities in the consolidated statements of activities and changes in net assets. Investment returns are presented net of external investment expenses/fees and direct internal investment expenses, when applicable.

Contract Receivables

Billed contract receivables represent amounts due under various contracts from the U.S. government and commercial entities for services rendered or reimbursable direct and indirect costs incurred but unpaid as of each year end.

Contract Assets and Contract Liabilities

Contract assets primarily consist of unbilled receivables typically resulting from revenue recognized exceeding the amount billed to the customer and right to payment is not just subject to the passage of time. Contract liabilities, when applicable, primarily consist of advance payments in excess of revenue recognized resulting in deferred revenue.

Allowance for Credit Losses

Beginning in 2023, as required by Accounting Standards Codification (ASC) 326, the Organization recognizes an allowance for expected credit losses for financial assets carried at amortized cost to present the net amount expected to be collected as of the date of the consolidated statements of financial position. Such allowance is based on the credit losses expected to arise over the life of the

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

asset (contractual term). In determining such allowance, management considers historical loss rates and adjusts for current economic conditions, where applicable. Assets are written off when the Organization determines that such financial assets are uncollectible. The Organization pools all its billed contract receivables and contract assets in estimating the expected credit losses. The difference in the allowance for doubtful accounts prior to the implementation of ASC 326 and the revised allowance for expected credit losses at December 31, 2023 was determined by management to be immaterial given the Organization's historical loss rates and customer base.

Property and Equipment

The Organization capitalizes expenditures for property and equipment in excess of \$5 with estimated useful lives greater than one year. Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the individual assets. Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. Land is not depreciated or amortized. The Organization evaluates the remaining useful lives and recoverability of such assets on a continual basis.

The estimated useful lives of the assets are as follows:

Building	39 years
Building improvements	15 years
Furniture and fixtures	5-7 years
Computers and equipment	3 years

The Organization capitalizes costs that are directly associated with constructing an asset. Once the asset is placed in service, all associated costs are reclassified to the appropriate property and equipment account. Depreciation and amortization on the related asset does not commence until it is placed in service.

Leases

The Organization determines whether a contract contains a lease at inception based on whether a right to control the use of an identified asset is conveyed. All of the Organization's leases are classified as operating leases. The Organization records operating lease right-of-use assets and lease liabilities in the consolidated statements of financial position. Lease expenses are recorded within indirect expenses in the accompanying consolidated statements of activities and changes in net assets. Operating lease right-of-use assets and lease liabilities are recognized based on the net present value of future minimum lease payments over the lease term beginning on the commencement date. The Organization generally is not able to determine the rate implicit in its leases and, as such, applies either an incremental borrowing rate based on the Organization's cost of borrowing for the relevant terms of each lease or an appropriate risk-free rate. Lease expense is recognized on a straight-line basis over the lease term. Lease terms may include an option to extend or terminate a lease if it is reasonably certain that the Organization will exercise such options. The Organization has elected the practical expedients to utilize the risk-free rate, to not separate lease components from non-lease components and to not record a right-of-use asset or lease liability for leases which, at inception, have a term of twelve months or less. Variable lease payments are recognized in the period in which the obligation for those payments is incurred.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

Impairment of Long-Lived Assets

The Organization evaluates all long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be fully recoverable. Recoverability is evaluated by comparing the undiscounted future net cash flows resulting from the use of the asset and its eventual disposition to the carrying value of an asset. When the undiscounted future cash flows are less than the carrying value, impairment is deemed present. No indicators of impairment were identified as of December 31, 2023 or 2022.

Income Taxes

The Internal Revenue Service (the IRS) has determined that RRI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the IRC). RRI is also exempt from state income taxes. ARS is a corporation under Subchapter C of the IRC for income tax purposes and therefore is subject to federal and state income taxation.

Income taxes are provided for the tax effect of transactions reported in the consolidated financial statements and consist of taxes currently due plus the change in deferred taxes. The Organization accounts for taxes using the liability method, whereby deferred tax assets and liabilities are recognized based on the future tax return consequences attributable to differences between the financial reporting and income tax basis of assets and liabilities. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Deferred income taxes are recorded using currently enacted income tax rates applicable in the period in which the deferred tax asset or liability is expected to be realized or settled. As changes in tax laws are enacted, deferred income taxes are adjusted through the provision for income taxes in the year of change.

The Organization recognizes the tax benefit for uncertain tax positions when it is more likely than not the position will be sustained upon examination based on the technical merits of the position. The benefit is measured as the largest benefit that is more likely than not to be realized upon ultimate settlement. The Organization has not identified any material uncertain tax positions. The Organization is not currently under audit by any taxing jurisdiction. The Organization is generally no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for the years ended December 31, 2019 and prior.

Debt Issuance Costs

Debt issuance costs, net of amortized interest expense, are reported as a direct deduction from the face amount of the related bond payable. Interest expense is computed using the straight-line method, which approximates the effective interest method.

Deferred Compensation Agreement

The Organization maintains a deferred compensation agreement with an officer and accounts for this agreement in accordance with the terms of the underlying agreement. The Organization estimates the cost of future benefits and accrues the present value of those costs in a systematic and rational manner over the period in which the individual renders service and becomes eligible for the benefits. To the extent the terms of the agreement attribute all or a portion of the expected future benefits to an individual year of the individual's services, the cost of the benefits is recognized in that year.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

Revenue Recognition

The Organization generates revenue from services provided under both short-term and multi-year contracts. The Organization's contracts are most often priced based upon fixed-price arrangements, but also may be priced as reimbursable cost plus a fixed or award fee, or time and material as incurred.

The Organization considers a contract with a customer to exist under ASC 606, *Revenue From Contracts With Customers*, when there is approval and commitment from both the Organization and the customer, the rights of the parties and payment terms are identified, the contract has commercial substance, and collectability of consideration is probable. The Organization also will consider whether two or more contracts entered into with the same customer should be combined and accounted for as a single contract.

Customer contracts are often modified to change the scope, price, specifications or other terms within the existing arrangement. Contract modifications are evaluated by management to determine whether the modification should be accounted for as part of the original performance obligation(s) or as a separate contract. If the modification adds distinct goods or services and increases the contract value proportionate to the stand-alone selling price of the additional goods or services, it will be accounted for as a separate contract. Generally, the Organization's contract modifications do not include goods or services which are distinct, and therefore are accounted for as part of the original performance obligation(s) with any impact on transaction price or estimated costs at completion being recorded through a cumulative catch-up adjustment to revenue.

The Organization evaluates each service deliverable contracted with the customer to determine whether it represents promises to transfer distinct goods or services. Under ASC 606, these are referred to as performance obligations. One or more service deliverables often represent a single performance obligation. This evaluation requires significant judgment and the impact of combining or separating performance obligations may change the timing over which revenue from the contract is recognized. The Organization's contracts generally provide a set of integrated or highly interrelated tasks or services and are therefore accounted for as a single performance obligation. However, in cases where the Organization provides more than one distinct good or service within a customer contract, the contract is separated into individual performance obligations which are accounted for discretely.

Contracts with the U.S. government are subject to the Federal Acquisition Regulations (FAR) and are priced based on estimated or actual costs of providing the goods and/or services. Certain of the Organization's contracts contain award fees or other provisions that may increase or decrease the transaction price. These variable amounts are generally awarded upon achievement of certain performance metrics, program milestones or cost targets and may be based upon customer discretion. Management estimates variable consideration as the most likely amount that the Organization expects to achieve based on its assessment of the variable fee provisions within the contract, prior experience with similar contracts or customers, and management's evaluation of the performance on such contracts. The Organization may perform work under a contract that has not been fully funded if the work has been authorized by the management and the customer to proceed. The Organization evaluates unfunded amounts as variable consideration in estimating the transaction price. The Organization includes the estimated variable consideration in transaction price to the extent that it is probable that a significant reversal of revenue will not occur upon the ultimate settlement of the variable fee provision. For contracts with multiple performance obligations, the Organization allocates the transaction price to each performance obligation using its best estimate of the standalone selling price of each distinct good or service in the contract. In

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

cases where the Organization does not provide the distinct good or service on a standalone basis, the primary method used to estimate standalone selling price is the expected cost plus a margin approach, under which the Organization forecasts its expected costs of satisfying a performance obligation and then adds an appropriate margin for that distinct good or service. The Organization's U.S. government contracts generally contain FAR provisions that enable the customer to terminate a contract for default or for the convenience of the U.S. government.

The Organization measures its progress toward complete satisfaction of each performance obligation based on the method the Organization believes best depicts the transfer of control to the customer. Under fixed-price contracts, the Organization recognizes revenue over time using a contract cost-based input method to measure progress as the contracts typically involve a continuous transfer of control to the customer. Under a contract cost-based input method, revenue is recognized based on the proportion of contract costs incurred to the total estimated costs expected to be incurred upon completion of the underlying performance obligation. The Organization generally includes both funded and unfunded portions of customer contracts in this estimation process.

Under time-and-materials and cost-reimbursable-plus-fee contracts, revenue is recognized over time using the right-to-invoice practical expedient as the Organization is contractually able to invoice the customer based on the control transferred.

Many of the Organization's contracts recognize revenue under a contract cost-based input method and require an estimate-at-completion (EAC) process, which management uses to review and monitor the progress towards the completion of the performance obligations. Estimating the total cost at completion of performance obligations is an accounting estimate and requires management to make assumptions that may affect the timing of revenue recognition. Changes in these estimates can occur for a variety of reasons and, if significant, may impact the profitability of the Organization's contracts. Changes in estimates related to contracts accounted for under the EAC process are recognized in the period when such changes are made on a cumulative catch-up basis. If the estimate of contract profitability indicates an anticipated loss on a contract, the Organization recognizes the total loss at the time it is identified. As of and for the years ended December 31, 2023 and 2022, management determined that no significant provisions for contract losses were necessary.

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

Fixed-price contracts are typically billed to the customer using milestone or fixed monthly payments, while cost-reimbursable-plus-fee and time-and-material contracts are typically billed to the customer at periodic intervals as indicated by the terms of the contract. Disparities between the timing of revenue recognition and customer billings and cash collections results in net contract assets or liabilities being recognized at the end of each reporting period.

U.S. government contractors must also comply with applicable government procurement statutes and regulations and may be subject to potential contract termination, suspension and debarment, or other remedies if they fail to comply with such regulations. Management believes the Organization has complied with all applicable procurement statutes and regulations. The Organization may provide reserves against amounts billed, collected and recognized as revenue if and when a loss from such disputes is considered probable.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

Costs of Revenue

Costs of revenue include all direct contract costs, as well as indirect overhead costs and selling, general and administrative expenses that are allowable and allocable to contracts under federal procurement standards. Costs of revenue also include costs and expenses that are unallowable and are not allocable to contracts for billing purposes. Such costs and expenses do not directly generate revenue but are necessary for business operations.

Contract costs incurred for U.S. government contracts, including indirect costs, are subject to audit and adjustment by the Organization's cognizant agency. Contract revenue has been recorded in amounts that are expected to be realized upon final settlement.

Concentrations of Credit Risk

The Organization's assets that are exposed to credit risk consist primarily of cash and cash equivalents, contract receivables and investments. The Organization maintains its cash in bank deposit accounts which at times may exceed the federally insured limits. Interest and noninterest bearing deposits with financial institutions in aggregate are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250. As of December 31, 2023, amounts on deposit in excess of federally insured limits approximates \$34,589. The Organization has not historically experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk. Contract receivables consist primarily of amounts due from various agencies of the federal government or prime contractors doing business with the federal government. Historically, the Organization has not experienced significant losses related to billed contract receivables and, therefore, believes that the credit risk related to contract receivables is minimal. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the consolidated statements of financial position.

Fair Value of Financial Instruments

The fair value of the Organization's cash and cash equivalents, contract receivables and accounts payable and accrued expenses approximate their carrying amounts due to the relatively short maturity of these items.

Recently Adopted Authoritative Guidance

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which eliminates the requirement that a credit loss on a financial instrument be "probable" prior to recognition. Instead, a valuation allowance will be recorded to reflect an entity's current estimate of all expected credit losses, based on both historical and forecasted information related to an instrument. The update was effective for the Organization for annual and interim reporting periods beginning after December 15, 2022, and was adopted using a modified retrospective approach, which applies a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. The Organization adopted the new standard effective January 1, 2023, which did not have a material impact to the Organization's consolidated financial results or disclosures.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

Recent Accounting Pronouncements Not Yet Adopted

In November 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires an acquirer in a business combination to recognize and measure acquired contract assets and contract liabilities in accordance with revenue recognition guidance as if the acquirer had originated the contract. That is, such acquired contracts will not be measured at fair value. The update is effective for private business entities for annual and interim reporting periods beginning after December 15, 2023, and should be adopted using a prospective approach. Early adoption is permitted. The Organization is evaluating the effect that adoption of this new standard will have on the Organization's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. For private business entities, the update requires the entity to disclose on an annual basis the amount of income taxes paid (net of refunds received) disaggregated by (i) federal, state for foreign taxes, and (ii) by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5% of total income taxes paid, among certain other amended disclosure requirements. The update is effective for private business entities for annual and interim reporting periods beginning after December 15, 2025, and should be applied on a prospective basis, but retrospective application is permitted. Early adoption is permitted. The Organization is evaluating the effect that adoption of this new standard will have on the Organization's consolidated financial statements.

The Organization has assessed other accounting pronouncements issued or effective during the years ended December 31, 2023 and 2022 and deemed they were not applicable to the Organization or are not anticipated to have a material effect on the consolidated financial statements.

2. Fair Value Measurements

The Organization measures fair value, the price that would be received from selling an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date, in accordance with ASC 820, *Fair Value Measurement*.

In determining fair value, the Organization uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

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

Level 2 - inputs to the valuation methodology include:

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

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

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

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the type of instrument, whether the instrument is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following is a description of the valuation methodologies used for the assets and liabilities measured at fair value. There have been no changes in the methodologies used as of December 31, 2023 or 2022:

- Mutual funds are valued at the daily closing price as reported by the fund. The mutual funds are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

The following table presents the fair value hierarchy for assets of the Organization measured at fair value as of December 31, 2023:

<i>Description</i>	As of December 31, 2023			
	Assets Measured At Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Short-term bonds	\$ 3,610	\$ 3,610	\$ -	\$ -
Intermediate term bonds	10,518	10,518	-	-
Long-term bonds	1,592	1,592	-	-
Large blend	32,916	32,916	-	-
Foreign large blend	7,545	7,545	-	-
	\$ 56,181	\$ 56,181	\$ -	\$ -

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

The following table presents the fair value hierarchy for assets and liabilities of the Organization measured at fair value as of December 31, 2022:

Description	As of December 31, 2022			
	Assets Measured At Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Assets:				
Mutual funds:				
Short-term bonds	\$ 4,080	\$ 4,080	\$ -	\$ -
Intermediate term bonds	11,765	11,765	-	-
Long-term bonds	2,008	2,008	-	-
Large blend	18,387	18,387	-	-
Foreign large blend	11,292	11,292	-	-
	\$ 47,532	\$ 47,532	\$ -	\$ -

The following schedule summarizes the net investment return reflected within the consolidated statements of activities and changes in net assets for the years ended December 31:

	2023	2022
Interest and dividends	\$ 1,244	\$ 1,212
Realized and unrealized gains (losses)	7,495	(11,022)
Investment fees	(90)	(61)
	\$ 8,649	\$ (9,871)

3. Property and Equipment

Property and equipment consists of the following at December 31:

	2023	2022
Land	\$ 698	\$ 698
Building and building improvements	13,446	13,446
Furniture and fixtures	10,212	10,007
Computer and equipment	3,070	2,756
Leasehold improvements	15,450	10,334
Construction-in-progress	6	529
	42,882	37,770
Less: accumulated depreciation and amortization	(22,590)	(19,621)
	\$ 20,292	\$ 18,149

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

Depreciation and amortization expense charged to operations was \$3,597 and \$3,214 for the years ended December 31, 2023 and 2022, respectively. In connection with new leases, the Organization recognized \$4,239 of non-cash leasehold improvement incentives during the year ended December 31, 2023 (see Note 9).

4. Lines-of-Credit and Bond Payable

Lines-of-Credit

RRI has available a line-of-credit facility with a bank with a maximum limit of \$15,000, subject to a borrowing base calculation. The line-of-credit bears interest at the daily Secured Overnight Financing Rate (SOFR) plus 160 basis points (6.99% as of December 31, 2023). The line-of-credit is collateralized by all assets of RRI and expires, if not renewed, on September 30, 2024. RRI is subject to certain financial covenants as required by the line-of-credit agreement. As of December 31, 2023 and 2022, there were no amounts outstanding under the line-of-credit.

ARS has available a line-of-credit facility with a bank with a maximum limit of \$15,000, which can be increased to \$35,000 with bank approval. The line-of-credit bears interest at the daily SOFR plus 200 basis points (7.39% as of December 31, 2023). The line-of-credit is collateralized by all assets of ARS and expires, if not renewed, on September 30, 2024. ARS is subject to certain financial covenants as required by the line-of-credit agreement. As of December 31, 2023 and 2022, there were no amounts outstanding under the line-of-credit.

Bond Payable

On December 15, 2015, RRI entered into a tax-exempt bond financing agreement with the Greene County Port Authority and a banking institution as trustee, purchaser and fiscal agent. RRI received \$9,000 in proceeds from the issuance of the Greene County Port Authority Economic Development Revenue Bond Series 2015. The bond principal was payable over a 20-year amortization term with a maturity date of December 24, 2035. Interest on the bond was payable monthly at a floating rate of 70 percent of the 30-day LIBOR plus 1.4 percent.

In December 2022, RRI exercised an option within the bond financing agreement to fully redeem the outstanding amounts and, as such, has fully repaid the outstanding balance of the bonds and has been released of obligations by Greene County Port Authority and the banking institution trustee. As of December 31, 2022, no amounts remain outstanding under the tax-exempt bond.

Interest expense related to the bond totaled \$180 for the year ended December 31, 2022. Also included in interest expense in the accompanying consolidated statements of activities and changes in net assets is \$23 of amortization of debt issuance costs for the year ended December 31, 2022.

On December 23, 2015, RRI entered into an interest rate swap agreement with the same banking institution. The effect of the agreement was to fix the interest rate of the bond at 2.85 percent through December 22, 2022. For the year ended December 31, 2022, RRI recognized realized and unrealized gains of \$74, which was as a result of fluctuations in the fair value of the interest rate swap and the redemption of the bonds and related swap in 2022. The interest rate swap was terminated in December 2022 when the bonds were redeemed and repaid.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

5. Benefit Plans

Deferred Compensation Agreement

During the year ended November 30, 2016, RRI entered into a deferred compensation agreement with an officer. In accordance with the agreement, RRI established a deferred compensation reserve account for the individual and provides a fixed monthly credit plus a quarterly compounded interest accrual based on the current prime rate, to the reserve account. To be eligible for the benefit, the agreement requires continuing employment until a specified time, and the account balance is then distributed based on an established vesting schedule, over a four-year period. As of December 31, 2023 and 2022, the Organization has recognized liabilities totaling \$388 and \$337, respectively, related to the deferred compensation agreement. Compensation expense, including accrual of interest, related to the deferred compensation agreement was approximately \$128 and \$115 for the years ended December 31, 2023 and 2022, respectively.

Retirement Plans

RRI maintains a tax-sheltered retirement income IRC 403(b) plan (the 403(b) Plan) covering substantially all eligible employees. The 403(b) Plan enables participants to make pretax salary contributions, within limits, through elective salary deferrals. RRI does not contribute to this plan.

RRI also maintains a defined-contribution plan covering all full-time employees of RRI who have at least one year of service and are at least twenty-one years of age. RRI makes a contribution each year equal to a percentage of all participants' compensation. The contribution amount is dependent upon each employee's years of service and becomes fully vested upon the employee attaining three years of service. Participants are not permitted to contribute to this plan. Amounts contributed to this plan and recorded as pension expense for the years ended December 31, 2023 and 2022 totaled approximately \$5,110 and \$4,683, respectively.

ARS sponsors a 401(k) savings plan (the 401(k) Plan). All ARS employees are eligible to participate after meeting certain age and service requirements as defined in the 401(k) Plan document. ARS makes non-elective safe harbor matching contributions and may make discretionary contributions to the Plan. Company contributions are safe harbor and vest immediately. Contributions to the Plan totaled \$4,213 and \$3,137 for the years ended December 31, 2023 and 2022, respectively.

6. Disaggregation of Revenue

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

Performance obligations related to the Organization's contracts are satisfied over time as work progresses or at a point in time. Substantially all revenue for the years ended December 31, 2023 and 2022 was transferred to customers over time. Incurred costs represent work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

Performance Obligations

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

7. Common and Restricted Common Stock

Common Stock

As of December 31, 2023 and 2022, ARS has 10,000 shares authorized, and 9,500 shares issued and outstanding. As of December 31, 2023 and 2022, two of ARS's employees each hold 1,000 shares of common stock, while RRI holds the remaining 7,500 shares issued and outstanding. As a result, approximately 21 percent of ARS's net equity position is reflected as a non-controlling interest in the consolidated financial statements.

Restricted Common Stock

During 2012, with approval of the Board of Trustees of RRI, ARS granted restricted shares of common stock in ARS to two employees. As of December 31, 2023 and 2022, a total of 2,000 restricted common stock shares were outstanding. No restricted common stock was granted or forfeited during 2023 or 2022. The restricted common stock vests 25% per year for four years commencing with the first anniversary date of the grant as long as the employee remains employed by ARS. As of December 31, 2023 and 2022, the two employees were fully vested in the restricted common stock.

At the grant date, the value of the restricted common stock was determined by management to be insignificant as ARS had no assets or revenue and projections of future free cash flows were uncertain. As a result, the Organization has not recognized stock compensation expense related to the restricted common stock agreements and no value was given to the restricted common stock that was transferred to the non-controlling stockholders.

All holders of restricted common stock of ARS are restricted from selling or transferring their shares without the consent of RRI with the exception of transfers to a permitted transferee as defined by the stockholders' agreement. Except with regard to restrictions on selling, assigning, transferring, pledging, hypothecating, encumbering or otherwise disposing of the restricted common stock, the stockholders have all rights of a stockholder of ARS, including the right to receive dividends and vote.

If the employment of any holders of restricted common stock of ARS is terminated at any time, RRI has the right to purchase any vested shares from the terminated stockholder within 90 days of the termination. The purchase price of vested shares is defined in the stockholders' agreement and is based on a trailing twelve months of earnings before interest, taxes, depreciation and amortization (EBITDA) and a varying multiple which is also defined in the stockholders' agreement.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

8. Income Taxes

The ARS provision for income taxes consists of the following for the year ended December 31:

	2023	2022
Current:		
Federal	\$ 2,564	\$ 2,656
State	735	656
Deferred:		
Federal	(82)	(36)
State	(66)	(10)
Provision for income taxes	\$ 3,151	\$ 3,266

Deferred tax assets (liabilities) consist of the following as of December 31:

	2023	2022
Depreciation and amortization	\$ (2)	\$ (6)
Accrued payroll	474	330
Deferred tax assets, net	\$ 472	\$ 324

Deferred tax assets are provided for those items for which the reporting period for income tax purposes is different than the reporting period for financial statement purposes. Those balances are stated at the enacted tax rates expected to be in effect when ARS pays or recovers the taxes. Deferred income tax assets represent amounts available to reduce income taxes ARS will pay on taxable income in future years. Management evaluates the ability to realize these future tax deductions by assessing whether ARS expects to have sufficient future taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies to utilize these future deductions and credits. Management establishes a valuation allowance when they no longer consider it more likely than not that a deferred tax asset will be realized. As of each reporting date, management considers new evidence, both positive and negative, that could impact their view with regard to future realization of deferred tax assets. As of December 31, 2023 and 2022, management determined that sufficient positive evidence exists to conclude that it is more likely than not that the deferred tax assets are realizable for ARS, and therefore, no valuation allowance is required.

9. Commitments and Contingencies

Commitments

The Organization leases office space and certain equipment under the terms of noncancelable operating leases that expire at various dates through March 2035. The Organization is also responsible for certain operating expenses.

During the year ended December 31, 2023, through non-cash transactions, the Company recognized operating lease right-of-use assets totaling \$14,801 acquired in exchange for operating lease liabilities totaling \$19,040.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

The Organization recognizes the total cost of its leases ratably over the respective lease periods. The Organization recorded lease costs totaling \$3,545, which is inclusive of \$738 of short-term lease costs, for the year ended December 31, 2023. The Organization recorded lease costs totaling \$3,249, which is inclusive of \$101 of short-term lease costs, for the year ended December 31, 2022.

The following is a schedule by year of the maturities of the operating lease liabilities required under these leases as of December 31, 2023:

Years Ending December 31,

2024	\$	3,126
2025		3,299
2026		3,285
2027		3,347
2028		3,417
Thereafter		14,811
<hr/>		
Total operating lease payments		31,285
Less: imputed interest		(5,228)
<hr/>		
	\$	26,057

The weighted average remaining lease terms for operating leases were approximately 8.93 years and 6.29 years at December 31, 2023 and 2022, respectively. The weighted average discount rates for operating leases were approximately 3.47% and 1.44% at December 31, 2023 and 2022, respectively.

Contingencies

The majority of the Organization's revenues are generated from prime contracts or subcontracts for which the U.S. government is the ultimate customer. Changes in federal government budgetary priorities, domestic and international economic conditions and political circumstances, among other factors, could impact the status of the Organization's current contracts and the Organization's ability to win new or follow-on contract awards. In the event of unilateral early termination by the customer or expiration without renewal, the loss of one or more of the Organization's significant contracts could have a material and adverse impact on the Organization's future financial results.

The Organization is subject to lawsuits and claims with respect to matters arising in the normal course of business. In the opinion of management, the ultimate liabilities, if any, resulting from these lawsuits or claims, will not materially affect the consolidated financial position or results of operations of the Organization.

Contract Concentrations

As of and for the year ended December 31, 2023, the Organization generated revenue from two contracts that approximated 58% of total revenue and two contracts that approximated 74% of the contract receivables balance. As of and for the year ended December 31, 2022, the Organization generated revenue from two contracts that approximated 58% of total revenue and three contracts that approximated 72% of the contract receivables balance.

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

10. Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenditures which can be identified with program or support services are allocated directly according to their natural expenditure. The preference and priority is to directly charge the program or supporting function where the service or expense item is used. Costs that are common to several functions are allocated among the program and supporting services on a reasonable basis that is consistently applied, including allocations based on time records, space utilized and estimates made by management. The majority of salaries and employee benefits are classified as direct charges, while some are allocated based upon estimates of time and effort.

The Organization's operating expenses grouped by functional classification for the year ended December 31, 2023 are as follows:

<i>Natural classification</i>	Program	Management and General	Total
Compensation and benefits	\$ 205,663	\$ 15,463	\$ 221,126
Professional fees	147,842	1,111	148,953
Information technology	10,868	1,166	12,034
Occupancy	4,016	359	4,375
Travel	5,293	246	5,539
Meetings, events and memberships	404	375	779
Interest	-	14	14
Depreciation and amortization	3,472	125	3,597
Insurance	499	280	779
Other	1,739	507	2,246
Income taxes	-	3,151	3,151
Total	\$ 379,796	\$ 22,797	\$ 402,593

The Organization's operating expenses grouped by functional classification for the year ended December 31, 2022 are as follows:

<i>Natural classification</i>	Program	Management and General	Total
Compensation and benefits	\$ 175,130	\$ 13,382	\$ 188,512
Professional fees	139,643	998	140,641
Information technology	7,758	769	8,527
Occupancy	4,314	253	4,567
Travel	3,788	182	3,970
Meetings, events and memberships	692	215	907
Interest	195	8	203
Depreciation and amortization	3,101	113	3,214
Insurance	544	308	852
Other	3,945	600	4,545
Income taxes	-	3,266	3,266
Total	\$ 339,110	\$ 20,094	\$ 359,204

Riverside Research Institute and Subsidiary

Notes to the Consolidated Financial Statements

11. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures such as operating expenses and debt service, construction and fixed asset purchases not financed with debt financing are as follows:

	2023		2022	
Cash and cash equivalents	\$	35,090	\$	15,069
Investments		56,181		47,532
Contract receivables, net		33,320		33,916
Contract assets		28,766		25,908
	\$	153,357	\$	122,425

There are no financial assets unavailable within one year of the consolidated statements of financial position date for general expenditures. As part of the Organization's liquidity management, it has a policy to structure financial assets to be available as general expenditures, liabilities and other obligations come due. The Organization's main source of liquidity is contract revenue from federal government agencies. The Organization also has two lines-of-credit available for short-term cash needs (see Note 4).

12. Related Party Transactions

Certain members of the Board of Trustees of RRI and Board of Directors of ARS are members of the Board of Directors or are key employees of other organizations in which RRI and ARS engage in business activities. ARS also pays stipends to third-party Board members for their service to the Board. During the years ended December 31, 2023 and 2022, the Organization incurred \$761 and \$716, respectively, in costs and stipends with these related organizations and recognized \$1,107 and \$495, respectively, of revenue with these related organizations. As of December 31, 2023 and 2022, amounts payable to related organizations totaled \$53 and \$54, respectively, and there were no outstanding amounts receivable from related organizations.

13. Subsequent Events

The Organization has evaluated its December 31, 2023 consolidated financial statements for subsequent events through July 3, 2024, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the consolidated financial statements.

Schedule of Expenditures of Federal Awards

Riverside Research Institute and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor / Pass Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Contract Number / Pass Through Entity Identifying Number	2023 Federal Expenditures	Amounts Provided to Subrecipients
Research & Development Cluster:				
U.S. Department of Defense				
Department of the Air Force				
Technical Sensor Radar Support (TSRS) Program	12.RD		\$ 2,252,644	\$ -
Cobra Dane System Engineering & Integration Services	12.RD		1,648,995	-
Fixed Station Sensors	12.RD		4,435,497	-
Big Safari 2	12.RD		2,645,940	-
Red Giant	12.RD		522,685	-
Mission Systems Open Architecture Science & Technology	12.RD		624,301	-
Advanced Novel Spectrum Warfare Environment Research	12.RD		1,327,765	-
Microelectronics & Embedded Systems Assurance	12.RD		59,634	-
Virtual Combat Lab Studies & Analysis Task	12.RD		597,199	-
RF Analysis & Verification Engineering Software	12.RD		1,389,394	-
Multi-sensor Integration for Autonomy & Openness	12.RD		1,411,416	-
Direct IT Computational Testing & Overall Research	12.RD		2,742,539	-
Optics, Plasma Technology & Electro-Magnetic Antenna	12.RD		665,938	-
Mission Systems Open Architecture Prototyping, Experimentation, and Demonstration (MOAPED)	12.RD		799,134	-
Microelectronics and Embedded System Assurance (MESA) II	12.RD		4,805,965	-
Microstrip Plasma Sources for Heaterless and Low Power Plasma-Cathode Neutralizers	12.800		166,858	-
Total Direct Programs Department of the Air Force			26,095,904	-

Riverside Research Institute and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor / Pass Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Contract Number / Pass Through Entity Identifying Number	2023 Federal Expenditures	Amounts Provided to Subrecipients
Research & Development Cluster:				
Pass Through Programs From:				
ZETA Associates, Inc.	12.RD	173118SC-RRI-01	1,119,340	-
Solis Applied Science, LLS	12.RD	2019W911W519F0050RIVERSIDE01	839,760	-
Systems Planning and Analysis, Inc.	12.RD	SPA-SC-03002-RRC-19-001	7,520	-
Alion Science & Technology	12.RD	GS00Q14OADU401	300,681	-
BAE SYSTEMS	12.RD	FA852721D005	94,420	-
CGI Federal Inc.	12.RD	47QTCK18D0022	2,107,446	-
Applied Research Solutions, Inc.	12.RD	FA8721-19-F-0005	616,713	-
Analytical Graphics, Inc.	12.RD	RS-11915	1,444	-
University of Dayton	12.RD	FA8650-22-C-1017	816,434	-
Secmation, LLC	12.RD	FA8658-22-C-B005	290,135	-
Leidos	12.RD	FA8730-17-D-0004	269,743	-
Ansys Government Initiatives, Inc	12.RD	20703	69,355	-
Trusted Science & Technology, Inc	12.RD	FA9453-23-C-X006	43,781	-
Total Department of the Air Force			32,672,676	-
Department of the Army				
Pass Through Program From:				
Applied Research Associates, Inc.	12.RD	W911QX23C0010	45,074	-
Total Department of the Army			45,074	-
Defense Intelligence Agency				
Virginia Contracting Activity NMO DCGS	12.RD		419,365	-
Total Defense Intelligence Agency			419,365	-

Riverside Research Institute and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor / Pass Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Contract Number / Pass Through Entity Identifying Number	2023 Federal Expenditures	Amounts Provided to Subrecipients
Research & Development Cluster:				
Defense Advanced Research Projects Agency				
Universal Composability for Preventing Adversarial Composition Techniques	12.910		1,574,048	-
DAPRA HERMES	12.910		712,433	-
Total Direct Programs Defense Advanced Research Projects Agency			2,286,481	-
Pass Through Program From:				
Clarity Cyber, LLC	12.910	140D0423C0087	90,126	-
Total Defense Advanced Research Projects Agency			2,376,607	-
Office of Naval Research				
Neptune	12.RD		354,003	-
Total Office of Naval Research			354,003	-
Space Development Agency				
Pass Through Programs From:				
Clarity Cyber, LLC	12.RD	HQ085022C0001	24	-
NorthStar Earth & Space Systems, Inc.	12.RD	FA24012390007	48,536	-
Total Space Development Agency			48,560	-
Department of Navy				
Pass Through Program From:				
System Planning and Analysis, Inc. (SPA)	12.RD	N0017819D8627 / N0016423F3000	184,273	-
Total Department of Navy			184,273	-

Riverside Research Institute and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor / Pass Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Contract Number / Pass Through Entity Identifying Number	2023 Federal Expenditures	Amounts Provided to Subrecipients
Research & Development Cluster:				
National Geospatial Intelligence Agency				
Integrated Source Management - Collection Planning	12.RD		2,611,654	-
Cognitive Assessment System with Physiology Integration, Analysis, and Neuromodeling, Volume2	12.RD		1,714,260	-
Total Direct Programs National Geospatial Intelligence Agency			4,325,914	-
Pass Through Programs From:				
Booz Allen Hamilton	12.RD	S901635BAH	183,161	-
Applied Research Associates, Inc.	12.RD	W911QX-16-D-0015	761,270	-
Total National Geospatial Intelligence Agency			5,270,345	-
U.S. Space Force				
COBRA DANE	12.RD		1,255,074	-
Total U.S. Space Force			1,255,074	-
Defense Technical Information Center				
Pass Through Program From:				
HII Mission Technologies Corp	12.RD	FA8075-18-D-0002	7,950	-
Total Defense Technical Information Center			7,950	-
Other Contracts	12.RD		2,576,052	-
Total U.S. Department of Defense			45,209,979	-

Riverside Research Institute and Subsidiary

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Grantor / Pass Through Grantor / Program or Cluster Title	Federal Assistance Listing Number	Contract Number / Pass Through Entity Identifying Number	2023 Federal Expenditures	Amounts Provided to Subrecipients
Research & Development Cluster:				
General Services Administration				
Advisory & Assistance Services	39.RD		439,464	-
Facilities Directorate Support	39.RD		331,070	-
NASIC Advisory & Assistance Services III	39.RD		754,373	-
Defense Innovation Unit (DIU) Subject Matter Expert/Engineering Support Services	39.RD		752,582	-
Total Direct Programs General Services Administration			2,277,489	-
Pass Through Program From:				
Applied Research Associates, Inc.	39.RD	47QFCA20F0022/GS00Q14OADU304	636,282	-
Total General Services Administration			2,913,771	-
Total Research & Development Cluster Expenditures of Federal Awards			\$ 48,123,750	\$ -

The accompanying notes are an integral part of the schedule.

Riverside Research Institute and Subsidiary

Notes to the Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

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

2. Indirect Cost Rate

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

3. Basis of Presentation

The accompanying Schedule includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

All of the Organization's federal awards were in the form of cash assistance for the year ended December 31, 2023. The Organization had no federally funded insurance programs or loan guarantees during the year ended December 31, 2023.

4. Other Contracts

Other contracts, referred to in the Schedule, consist of federal contracts the Organization has entered into that are of a classified nature.

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



Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive, Suite 800
McLean, VA 22102

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Trustees
Riverside Research Institute and Subsidiary
New York, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Riverside Research Institute and Subsidiary (the Organization), which comprise the Organization's consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 3, 2024.

Report on Internal Control Over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, P.C.

McLean, Virginia
July 3, 2024



Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive, Suite 800
McLean, VA 22102

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Board of Trustees
Riverside Research Institute and Subsidiary
New York, New York

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Riverside Research Institute and Subsidiary's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2023. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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



Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization'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 Organization'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 Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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



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

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

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

BDO USA, P.C.

McLean, Virginia
July 3, 2024

Riverside Research Institute and Subsidiary

Schedule of Findings and Questioned Costs Year Ended December 31, 2023

Section I - Summary of Auditor's Results

Consolidated Financial Statements

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

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to consolidated financial statements noted? _____ Yes X No

Federal Awards

Internal control over the major federal program:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

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

Unmodified

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

_____ Yes X No

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
Various	Research and Development Cluster

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

\$1,443,712

Auditee qualified as low-risk auditee?

 X Yes _____ No

Riverside Research Institute and Subsidiary

Schedule of Findings and Questioned Costs Year Ended December 31, 2023

Section II - Financial Statement Findings

There were no findings related to the consolidated financial statements which are required to be reported in accordance with generally accepted government auditing standards (GAGAS) identified during the 2022 audit.

Section III - Federal Award Findings and Questioned Costs

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

Summary Schedule of Prior Audit Findings



July 3, 2024

RE: Schedule of Federal Awards (SEFA) Prior Audit (2022) Finding

Management Memo to BDO:

Recommendation – We recommend that the Organization implement policies and procedures to ensure that Federal expenditures reported on the SEFA are properly included based on underlying Federal and award requirements.

Status of Finding – Riverside Research fully implemented the corrective action plan noted in the financials for the 2023 SEFA. Riverside Research's program control, contracts, and accounting teams implemented a review process to ensure that all contracts during set up were assigned the correct contract type in the accounting system. Therefore, this rigorous review has prevented incorrect contract types from being entered and subsequently inaccurately categorized on the SEFA.