
UI LABS dba MXD USA

Financial Report
December 31, 2024

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Independent Auditor's Report

To the Board of Directors
UI LABS dba MXD USA

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of UI LABS dba MXD USA (MxD), which comprise the statement of financial position as of December 31, 2024 and 2023 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MxD as of December 31, 2024 and 2023 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 Audits of the Financial Statements* section of our report. We are required to be independent of MxD and to meet our 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 MxD's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits 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.

To the Board of Directors
UI LABS dba MXD USA

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 MxD'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 MxD'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2025 on our consideration of MxD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 MxD'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 MxD's internal control over financial reporting and compliance.



June 18, 2025

Statement of Financial Position

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash	\$ 6,868,893	\$ 10,482,319
Receivables - Net of allowances (Note 5)	9,192,856	10,220,363
Prepaid expenses and other assets	1,235,938	1,308,088
Right-of-use operating lease assets	12,017,221	13,064,943
Fixed assets - Net (Note 8)	<u>1,728,841</u>	<u>3,225,811</u>
Total assets	<u>\$ 31,043,749</u>	<u>\$ 38,301,524</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 263,653	\$ 171,120
Contract liabilities - Deferred membership dues	1,399,228	1,264,514
Refundable advances	1,611,958	3,123,046
Accrued expenses	3,575,762	2,661,042
Accrued compensation	1,149,396	1,068,088
Operating lease liability (Note 9)	<u>13,880,418</u>	<u>14,406,762</u>
Total liabilities	21,880,415	22,694,572
Net Assets		
Without donor restrictions	8,652,801	14,961,919
With donor restrictions	<u>510,533</u>	<u>645,033</u>
Total net assets	<u>9,163,334</u>	<u>15,606,952</u>
Total liabilities and net assets	<u>\$ 31,043,749</u>	<u>\$ 38,301,524</u>

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support						
Grants	\$ 21,866,507	\$ -	\$ 21,866,507	\$ 20,130,366	\$ -	\$ 20,130,366
Membership dues	2,339,083	-	2,339,083	2,780,166	-	2,780,166
In-kind contributions	43,102	-	43,102	836,491	465,033	1,301,524
Miscellaneous revenue	1,520,732	-	1,520,732	728,646	-	728,646
Net assets released from restrictions	134,500	(134,500)	-	18,900	(18,900)	-
Total revenue and other support	25,903,924	(134,500)	25,769,424	24,494,569	446,133	24,940,702
Expenses						
Salaries and benefits	10,743,184	-	10,743,184	10,311,426	-	10,311,426
Consultants and contractors	4,221,463	-	4,221,463	4,184,674	-	4,184,674
Travel, meeting, and communications	1,128,318	-	1,128,318	893,400	-	893,400
Rent and utilities	1,686,545	-	1,686,545	1,755,292	-	1,755,292
Insurance	141,030	-	141,030	142,235	-	142,235
Banking, registration, and business fees	167,130	-	167,130	253,508	-	253,508
Software, equipment, and supplies	2,097,829	-	2,097,829	1,532,618	-	1,532,618
Depreciation	2,009,153	-	2,009,153	1,991,201	-	1,991,201
Pass-through program costs	10,143,594	-	10,143,594	9,407,101	-	9,407,101
Bad debt	75,162	-	75,162	344,369	-	344,369
Total expenses	32,413,408	-	32,413,408	30,815,824	-	30,815,824
(Decrease) Increase in Net Assets - Before nonoperating income	(6,509,484)	(134,500)	(6,643,984)	(6,321,255)	446,133	(5,875,122)
Nonoperating Income	200,366	-	200,366	335,893	-	335,893
(Decrease) Increase in Net Assets	(6,309,118)	(134,500)	(6,443,618)	(5,985,362)	446,133	(5,539,229)
Net Assets - Beginning of year	14,961,919	645,033	15,606,952	20,947,281	198,900	21,146,181
Net Assets - End of year	<u>\$ 8,652,801</u>	<u>\$ 510,533</u>	<u>\$ 9,163,334</u>	<u>\$ 14,961,919</u>	<u>\$ 645,033</u>	<u>\$ 15,606,952</u>

Statement of Functional Expenses

Year Ended December 31, 2024

	<u>Program Services</u>	<u>Support Services Management and General</u>	<u>Total</u>
Salaries and benefits	\$ 6,185,826	\$ 4,557,358	\$ 10,743,184
Consultants and contractors	3,662,903	558,560	4,221,463
Travel, meeting, and communications	748,176	380,142	1,128,318
Rent and utilities	1,683,828	2,717	1,686,545
Insurance	-	141,030	141,030
Banking, registration, and business fees	10,131	156,999	167,130
Software, equipment, and supplies	1,374,350	723,479	2,097,829
Depreciation	1,907,977	101,176	2,009,153
Pass-through program costs to subrecipients	10,143,594	-	10,143,594
Bad debt	75,162	-	75,162
Total functional expenses	\$ 25,791,947	\$ 6,621,461	\$ 32,413,408

Statement of Functional Expenses

Year Ended December 31, 2023

	<u>Program Services</u>	<u>Support Services Management and General</u>	<u>Total</u>
Salaries and benefits	\$ 7,747,591	\$ 2,563,835	\$ 10,311,426
Consultants and contractors	3,677,087	507,587	4,184,674
Travel, meeting, and communications	536,802	356,598	893,400
Rent and utilities	1,745,841	9,451	1,755,292
Insurance	-	142,235	142,235
Banking, registration, and business fees	11,243	242,265	253,508
Software, equipment, and supplies	1,175,170	357,448	1,532,618
Depreciation	1,898,317	92,884	1,991,201
Pass-through program costs to subrecipients	9,407,101	-	9,407,101
Bad debt	344,269	100	344,369
Total functional expenses	\$ 26,543,421	\$ 4,272,403	\$ 30,815,824

Statement of Cash Flows

Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Decrease in net assets	\$ (6,443,618)	\$ (5,539,229)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	2,009,153	1,991,201
Bad debt expense	75,162	344,369
Capitalized in-kind contributions and nonmonetary transactions	-	(710,009)
Operating lease expense net of amortization of right-of-use asset and operating lease payments	521,378	537,898
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	952,345	550,162
Prepaid expenses and other current assets	72,150	(355,226)
Accounts payable and accrued expenses	1,088,561	107,816
Refundable advances	(1,511,088)	1,454,612
Contract liabilities - Deferred membership dues	134,714	(63,618)
Net cash used in operating activities	(3,101,243)	(1,682,024)
Cash Flows Used in Investing Activities - Purchase of fixed assets	(512,183)	(324,202)
Net Decrease in Cash	(3,613,426)	(2,006,226)
Cash - Beginning of year	10,482,319	12,488,545
Cash - End of year	\$ 6,868,893	\$ 10,482,319
Supplemental Cash Flow Information - In-kind contributions and nonmonetary transactions	\$ 43,102	\$ 1,653,000

Note 1 - Nature of Business

UI LABS dba MXD USA (MxD), which is defined as "Manufacturing times Digital," is a Chicago-based research and commercialization collaborative, advancing economic prosperity and national security by strengthening United States manufacturing competitiveness through technology innovation, workforce development, and cybersecurity preparedness. In partnership with the Department of Defense (DOD), MxD convenes the industrial base to solve critical manufacturing challenges by accelerating digital adoption, empowering a skilled workforce, and modernizing supply chains. MxD is also the National Center for Cybersecurity in Manufacturing, as designated by the DOD.

Note 2 - Significant Accounting Policies

Basis of Presentation

The financial statements of MxD have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

Classification of Net Assets

Net assets of MxD are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of MxD. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of MxD, the environment in which it operates, and the purposes specified in its articles of incorporation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of MxD or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

As of December 31, 2024 and 2023, net assets with donor restrictions were \$510,533 and \$645,033, respectively, and subject to the passage of time.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Accounts Receivable

A portion of MxD's accounts receivable balance consists of amounts due from its customers for membership dues, events, and other miscellaneous income streams. These are stated at invoice amounts. An allowance for credit losses is established for amounts expected to be uncollectible over the contractual life of the receivables. MxD collectively evaluates trade receivables to determine the allowance for credit losses based on contact with customers and external factors affecting MxD's relationship with the customers, including employee turnover, interest in MxD projects, inflation, and going concerns. MxD calculates the allowance using an expected loss model that considers MxD's actual historical loss rates adjusted for current economic conditions and reasonable and supportable forecasts. MxD considers historical receipts, contract type, contract value, and customers' ability and motivation to maintain relationships when making adjustments for reasonable and supportable forecasts. Uncollectible amounts are written off against the allowance for credit losses in the period they are determined to be uncollectible. Recoveries of amounts previously written off are recognized when received.

MxD also has accounts receivable from its grantors for amounts earned but not yet collected. An allowance for uncollectible receivables from grantors is provided based upon management's judgment of potential defaults. It is the opinion of management that these receivables are collectible in full as of December 31, 2024 and 2023.

Note 2 - Significant Accounting Policies (Continued)

Leases

MxD has an operating lease for its facility, as further described in Note 9. The lease results in the recognition of a right-of-use (ROU) asset and lease liability on the statement of financial position. The ROU asset represents the right to use an underlying asset for the lease term, and the lease liability represents the obligation to make lease payments arising from the lease, measured on a discounted basis. In evaluating its contract, MxD separately identifies lease and nonlease components, such as operating expenses, in calculating the ROU asset and lease liability, as they are separately stated amounts within the lease agreement.

MxD elected to use the risk-free rate as the discount rate for calculating the ROU asset and lease liability in place of the incremental borrowing rate for its rental space.

MxD recognizes expense for operating leases on a straight-line basis over the lease term.

Fixed Assets

Fixed assets are recorded at cost. The straight-line methodology is used for computing depreciation. Assets are depreciated over the estimated useful lives of the related assets, ranging from 3 to 10 years. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

Gifts of long-lived assets, such as land, buildings, or equipment, are reported as support without donor restrictions and are excluded from the excess of revenue over expenses unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets must be maintained. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Income Taxes

MxD is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Operating and Nonoperating Activity

Operating revenue and expenses are those directly related to the purpose and primary mission of MxD. As a result, other activity, such as bank interest revenue and gain or loss on sale of assets, is reported as nonoperating income and expense.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of useful lives of fixed assets, project accruals, and allowance for membership dues receivable. Actual results could differ from those estimates.

Note 2 - Significant Accounting Policies (Continued)***Functional Allocation of Expenses***

Costs of providing the program and support services have been reported on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and related expenses are allocated on the basis of time and effort. Expenses deemed to be indirect or nonprogrammatic, such as employee work, professional services, and insurance, are considered to be management and general expenses. Depreciation is allocated based on how the assets are utilized. Other general expenses, such as occupancy, utilities, and training, are also allocated on the basis of direct salary charges to the programs or administration. Costs have been allocated between the various program and support services based on estimates determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Membership Dues

MxD generates revenue from contracts with customers from membership dues. Membership dues are composed of goods and services that are bundled into a single performance obligation where the primary benefit is access to MxD's ecosystem and research pipeline. Memberships are billed annually, and revenue is recognized ratably over the membership period. MxD allows for members to provide assets in lieu of cash payment for membership dues. The nonmonetary assets are valued at fair market value based on the value the member would sell the item to a customer and reduced by the amount owed by the member in cash for dues. If the value of the asset exceeds the cost of the membership dues, a gain is recognized on the exchange. There were no gains on exchange recognized during the years ended December 31, 2024 and 2023.

At January 1, 2023, membership fees billed but unpaid, which are included within receivables - net of allowances on the statement of financial position, were \$829,409. Membership fees collected in advance are recorded as contract liabilities - deferred membership dues. At January 1, 2023, contract liabilities - deferred membership dues were \$1,328,132.

Contributions

Unconditional promises to give cash and other assets to MxD are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift becomes unconditional or is received. The gifts are reported as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the year in which the contributions are received are reported as contributions without donor restrictions in the accompanying financial statements.

MxD receives gift-in-kind contributions of tangible and intangible personal property and contributions of services, consisting primarily of software, consulting services, equipment, and other organizational support. Gift-in-kind contributions that are subject to donor restrictions or the passage of time are recorded as restricted and released as the donor stipulations or time has elapsed.

Note 2 - Significant Accounting Policies (Continued)

MxD receives conditional contributions that are not recognized as revenue within the statement of activities and changes in net assets until the conditions are met. Conditional contributions are received from foundations, universities, and federal agencies. MxD grant revenue is derived from advance-funded and cost-reimbursable contracts, grants that are conditioned upon certain performance requirements, and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue in the statement of activities and changes in net assets as grants when MxD has incurred expenditures in compliance with specific contract or grant provisions. Grants and awards received in excess of those earned are recorded as refundable advances.

MxD has grant revenue pledged through conditional contributions not yet recognized as revenue of approximately \$25,520,000 and \$27,221,000 as of December 31, 2024 and 2023, respectively.

Miscellaneous Revenue

Miscellaneous revenue consists primarily of facility rental revenue, as MxD allows members to rent portions of its facility for a fixed daily, monthly, or annual fee. Rental income is recognized as revenue when earned. Rental payments received in advance are deferred until earned. Future minimum rent payments to be received are \$1,716,150 in 2025, \$1,429,317 in 2026, \$822,583 in 2027, and \$178,333 in 2028.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including June 18, 2025, which is the date the financial statements were available to be issued.

Note 3 - Concentration of Credit Risk

Throughout the year, certain financial instruments subject MxD to credit risk. Those financial instruments consist primarily of cash and accounts receivable. MxD maintains its cash in a high credit quality financial institution. At times, these balances may be in excess of the Federal Deposit Insurance Corporation insurance limit. MxD has not experienced any losses in such accounts.

Note 4 - Concentration of Revenue

As detailed in Note 2, a substantial amount of MxD's funding is derived from consortium members, grantors, and agencies of the federal government.

For the years ended December 31, 2024 and 2023, program consortium members provided 15 and 19 percent, respectively, of MxD's funding, and two agencies of the federal government provided 85 and 80 percent, respectively. Potential changes in current or future governmental legislation may influence MxD's funding subsequent to year end.

Note 5 - Accounts Receivable

The following is the detail of accounts receivable:

	2024	2023
Grants	\$ 8,409,875	\$ 10,014,192
Membership dues	506,500	332,924
Space rental and other	442,362	27,016
Less allowance for credit losses	(165,881)	(153,769)
Total accounts receivable - Net	\$ 9,192,856	\$ 10,220,363

Notes to Financial Statements

December 31, 2024 and 2023

Note 5 - Accounts Receivable (Continued)

Approximately 89 percent and 96 percent of accounts receivable were due from one federal agency as of December 31, 2024 and 2023, respectively. The remainder of the accounts receivable was due from various program consortium members or another federal agency.

The activity in the allowance for credit losses is as follows:

	2024	2023
Balance - January 1	\$ 153,769	\$ 893,001
Additions charged to expense	94,840	192,257
Deductions/Write-offs	(82,728)	(931,489)
Balance - December 31	<u>\$ 165,881</u>	<u>\$ 153,769</u>

The credit losses described above relate to the membership dues and events and other receivables. Management believes that grant-related receivables are fully collectible as of December 31, 2024 and 2023.

Note 6 - In-kind Contributions

Donated items received by MxD and used in its programs have been reflected in the financial statements at their estimated fair values. In-kind donations recognized by MxD for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Software and equipment	\$ 43,102	\$ 693,746
Consulting services	-	607,778
Total in-kind donations	<u>\$ 43,102</u>	<u>\$ 1,301,524</u>

The value of the software and equipment was determined based on the list prices of comparable software and equipment. The value of the consulting services received is based on standard fees charged for the type of services provided.

Note 7 - Indirect Expenses

The DOD annually approves the provisional and final rates that are used to allocate indirect expenses, based on a percentage of direct costs, to contracts and grants.

Note 8 - Fixed Assets

Property and equipment are summarized as follows:

	2024	2023
Furniture and fixtures	\$ 3,095,496	\$ 2,583,313
Computer equipment and software	87,175,841	87,176,893
Leasehold improvements	15,338,727	15,338,727
Total cost	105,610,064	105,098,933
Accumulated depreciation	103,881,223	101,873,122
Net property and equipment	<u>\$ 1,728,841</u>	<u>\$ 3,225,811</u>

Depreciation expense for 2024 and 2023 was \$2,009,153 and \$1,991,201, respectively.

Notes to Financial Statements

December 31, 2024 and 2023

Note 9 - Leases

MxD is obligated under an operating lease for its facility, which began in February 2015 with the opening of its facility on Goose Island in Chicago, Illinois and continues through December 31, 2034.

The right-of-use asset and related lease liability have been calculated using a discount rate of 2.34 percent from February 17, 2022 through December 31, 2034. The leases require MxD to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under this lease was \$1,391,031 and \$1,389,568 for 2024 and 2023, respectively. For the years ended December 31, 2024 and 2023, cash paid in relation to the lease was \$857,854 and \$843,105, imputed interest expense was \$331,510 and \$343,487, and nonlease components were \$201,667 and \$202,976, respectively.

Future minimum annual commitments under the operating lease are as follows:

Years Ending December 31	Amount
2025	\$ 1,397,392
2026	1,432,327
2027	1,468,135
2028	1,504,838
2029	1,542,459
Thereafter	<u>8,310,364</u>
Total	15,655,515
Less amount representing interest	<u>1,775,097</u>
Present value of net minimum lease payments	<u>\$ 13,880,418</u>

Note 10 - Line of Credit

Under a line of credit agreement with a bank, MxD has available borrowings of \$5 million and \$2 million as of December 31, 2024 and 2023, respectively. The current line of credit matures on July 31, 2025. Interest is payable monthly at the prime rate minus 50 base points, subject to a floor of 1.5 percent (7 percent as of December 31, 2024). The line of credit is collateralized by substantially all of the assets of MxD. There were no draws on the line of credit during 2024 and 2023.

Under the line of credit agreement with the bank, MxD is subject certain financial and nonfinancial covenants.

Note 11 - Liquidity and Availability of Resources

MxD's working capital and cash flows fluctuate during the year due to the timing of expense obligations. To manage liquidity, MxD maintains cash reserves in money market savings accounts. Grant contracts and awards expenses are projected out for the upcoming quarter on a monthly basis and submitted to the DOD for advancement. Once received, funds are deposited into a money market account. Expenses are reimbursed from the DOD monthly and transferred from an account separated for government funds to the operating account. If vendor invoices become due prior to a review and approval of the expense reimbursement invoice, reserve cash balances may be utilized to cover operations. Vendor invoices are tracked against available funds in the operating account, with payments processed weekly. Additionally, MxD maintains a line of credit up to \$5 million to cover unforeseen obligations.

Notes to Financial Statements

December 31, 2024 and 2023

Note 11 - Liquidity and Availability of Resources (Continued)

MxD’s financial assets available within one year of December 31, 2024 and 2023 for general expenditure are as follows:

	<u>2024</u>	<u>2023</u>
Cash	\$ 6,868,893	\$ 10,482,319
Accounts receivable	<u>9,192,856</u>	<u>10,220,363</u>
Total	<u>\$ 16,061,749</u>	<u>\$ 20,702,682</u>

Note 12 - Retirement Plans

MxD sponsors a 401(k) plan for substantially all employees. The plan provides for MxD to make a required matching and a discretionary contribution. MxD's contributions to the plan totaled \$247,808 and \$234,403 for the years ended December 31, 2024 and 2023, respectively.

UI LABS dba MXD USA

**Federal Awards Supplemental Information
December 31, 2024**

Independent Auditor's Reports

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance 1

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
UI LABS dba MXD USA

We have audited the financial statements of UI LABS dba MXD USA as of and for the year ended December 31, 2024 and have issued our report thereon dated June 18, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to June 18, 2025.

The accompanying schedule of expenditures of federal awards is presented for the purpose 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

June 18, 2025

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*

Independent Auditor's Report

To Management and the Board of Directors
UI LABS dba MXD USA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of UI LABS dba MXD USA (MxD), which comprise the statement of financial position as of December 31, 2024 and the related statements of activities and changes in net assets, 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 June 18, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MxD'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 MxD's internal control. Accordingly, we do not express an opinion on the effectiveness of MxD'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 MxD's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

To Management and the Board of Directors
UI LABS dba MXD USA

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 MxD's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MxD's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

June 18, 2025

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required
by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
UI LABS dba MXD USA

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited UI LABS dba MXD USA's (MxD) 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 MxD's major federal program for the year ended December 31, 2024. MxD'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, MxD 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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "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 MxD 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 MxD'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 MxD's federal program.

To the Board of Directors
UI LABS dba MXD USA

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 MxD'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 MxD'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 MxD'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 MxD'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 MxD'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.

To the Board of Directors
UI LABS dba MXD USA

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.

Plante & Moran, PLLC

June 18, 2025

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2024

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number/Grant Number	Provided to Subrecipients	Federal Expenditures
Research and Developments Cluster:				
U.S. Department of Defense:				
Army Contracting Command - New Jersey - Basic, Applied, and Advanced Research in Science and Engineering	12.630	W15QKN-19-3-0003	\$ 4,014,905	\$ 5,458,235
U.S. Army Contracting Command - Aberdeen Proving Ground - Basic, Applied, and Advanced Research in Science and Engineering	12.630	W911NF-24-3-0006	-	2,235,033
Washington Headquarters Services, Acquisition Directorate - Basic, Applied, and Advanced Research in Science and Engineering	12.630	W9132T-22-2-0017	1,104,646	2,074,086
Office of the Secretary of Defense (OSD) Manufacturing Technology (ManTech) - Basic, Applied, and Advanced Research in Science and Engineering	12.630	HQ00342490014	322,776	450,000
Passed through Advanced Regenerative Manufacturing Institute, Inc. - COVID-19 - Basic, Applied, and Advanced Research in Science and Engineering	12.630	W911NF-17-3-003	<u>736,692</u>	<u>914,186</u>
Subtotal			6,179,019	11,131,540
Passed through North Carolina State University - Basic and Applied Scientific Research	12.RD	2021-3072-04	-	350
Passed through LIFT (Lightweight Innovations for Tomorrow (aka ALMMII)) - Basic and Applied Scientific Research	12.RD	N00014-22-1-2451	71,962	78,053
Passed through National Center for Manufacturing Sciences - Basic and Applied Scientific Research	12.RD	2022011-142156	<u>2,567,631</u>	<u>2,651,978</u>
Subtotal			2,639,593	2,730,381
Passed through Regents of the University of Michigan - Community Investment	12.600	HQ00052310070	-	288,461
Passed through University of Rhode Island - Community Investment	12.600	HQ00052210065	<u>-</u>	<u>97,889</u>
Subtotal			-	386,350
Passed through Next Flex Learning Programs - Air Force Defense Research Sciences Program	12.800	FA8650-20-2-5506-P00052	31,085	273,182
Passed through National Center for Defense Manufacturing and Machining and the Department of Air Force - Air Force Defense Research Sciences Program	12.800	FA8650-20-2-5700	-	27,147
Passed through FlexTech Alliance - Air Force Defense Research Sciences Program	12.800	FA8650-20-2-5506-P00070	<u>-</u>	<u>183,105</u>
Subtotal			31,085	483,434
Passed through Center for Regional Economic Competitiveness - Advanced Manufacturing Technology - Office of the Secretary of Defense (OSD), Manufacturing Technology (ManTech) Program	12.333	HQ00342420005	-	193,347
Passed through University of Maryland Baltimore County - Economic Adjustment Assistance for State Governments	12.617	ST1435-22-07	-	199,915

Schedule of Expenditures of Federal Awards (Continued)

Year Ended December 31, 2024

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number/Grant Number	Provided to Subrecipients	Federal Expenditures
Research and Developments Cluster:				
U.S. Department of Defense:				
Office of Naval Research - Basic and Applied Scientific Research	12.300	N00014-24-1-2678	\$ -	\$ 15,017
Passed through LIFT (Lightweight Innovations for Tomorrow (aka ALMMII)) - Basic and Applied Scientific Research	12.300	N00014-24-1-2204	-	136,285
Passed through Next Flex Learning Programs Air Force Defense Research Sciences - Basic and Applied Scientific Research	12.300	N00014-20-1-2250	-	38,821
Subtotal			-	190,123
Total U.S. Department of Defense			-	15,315,090
U.S. Department of Commerce - National Institute of Standards and Technology (NIST) - COVID-19 - Arrangements for Interdisciplinary Research Infrastructure			1,243,897	1,345,188
Total Research and Development Cluster			\$ 10,093,594	\$ 16,660,278

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2024

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of UI LABS dba MxD USA (MXD) under programs of the federal government for the year ended December 31, 2024. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of MXD, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of MXD.

Note 2 - Summary of Significant Accounting Policies

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

MXD has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended December 31, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's 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 weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
11.619, 12.RD, 12.300, 12.333, 12.600, 12.617, 12.630, 12.800	Research and Development Cluster	Unmodified

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

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Audit Findings

Current Year None

Section III - Federal Program Audit Findings

Current Year None