

Financial Statements, Independent
Auditor's Report and Reports Required
by *Government Auditing Standards*
and Uniform Guidance

BlueForge Alliance

September 30, 2024 and 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
BlueForge Alliance

Report on the audit of the financial statements**Opinion**

We have audited the consolidated financial statements of BlueForge Alliance (a nonprofit organization) and subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of September 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, 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 consolidated financial position of the Entity as of September 30, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Entity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the 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 Entity's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditor's responsibilities for the audit of the 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 US 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 US 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 Entity'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 Entity'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 schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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 supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary 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 June 27, 2025 on our consideration of the Entity'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 Entity'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 Entity's internal control over financial reporting and compliance.

Grant Thornton LLP

Arlington, Virginia
June 27, 2025

BlueForge Alliance

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30,

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 18,594,593	\$ 33,994,751
Accounts receivable	24,833,785	14,865,287
Contract assets	6,136,619	-
Prepaid expenses and other current assets	296,651	166,035
Total current assets	49,861,648	49,026,073
Property and equipment, net	16,696,429	99,496
Equity method investment	7,907,913	-
Finance right-of-use assets	15,210	9,054
Total assets	\$ 74,481,200	\$ 49,134,623
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 36,498,695	\$ 16,066,986
Accrued expenses and other current liabilities	6,635,915	2,195,564
Contract liability	-	24,667,099
Finance right-of-use liabilities - current portion	3,994	1,989
Total current liabilities	43,138,604	42,931,638
Finance right-of-use liabilities - non-current portion	11,753	7,171
Total liabilities	43,150,357	42,938,809
Net assets		
Without donor restrictions		
Undesignated	31,330,843	6,195,814
Total net assets	31,330,843	6,195,814
Total liabilities and net assets	\$ 74,481,200	\$ 49,134,623

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

BlueForge Alliance

CONSOLIDATED STATEMENTS OF ACTIVITIES

Years ended September 30,

	2024	2023
Revenue	\$ 480,215,952	\$ 112,400,961
Expenses		
Contract costs	440,173,905	103,539,720
General and administrative	15,471,110	2,692,455
	455,645,015	106,232,175
Change in net assets from operations	24,570,937	6,168,786
Other income		
Interest and dividend income	563,552	26,992
Other income	540	36
	564,092	27,028
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	25,135,029	6,195,814
Net assets without donor restrictions, beginning of year	6,195,814	-
Net assets without donor restrictions, end of year	\$ 31,330,843	\$ 6,195,814

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

BlueForge Alliance

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended September 30,

	2024		
	Program Services	Supporting Services	Total
Salaries and wages	\$ 15,819,543	\$ 5,854,321	\$ 21,673,864
Payroll taxes	1,181,263	437,447	1,618,710
Employee benefits	2,113,562	782,698	2,896,260
Materials and supplies	2,280,792	-	2,280,792
Subcontract	400,947,912	-	400,947,912
Consultants and professional services	13,192,907	5,462,478	18,655,385
Travel	1,236,654	475,962	1,712,616
Office expenses	576,667	1,466,929	2,043,596
Occupancy	813,415	-	813,415
Insurance	90,849	287,284	378,133
Other	1,920,341	703,991	2,624,332
Total expenses by function	<u>\$ 440,173,905</u>	<u>\$ 15,471,110</u>	<u>\$ 455,645,015</u>
	2023		
	Program Services	Supporting Services	Total
Salaries and wages	\$ 5,399,633	\$ 1,256,663	\$ 6,656,296
Payroll taxes	407,541	94,848	502,389
Employee benefits	1,087,935	253,197	1,341,132
Materials and supplies	402,419	-	402,419
Subcontract	90,141,583	-	90,141,583
Consultants and professional services	5,043,835	713,598	5,757,433
Travel	303,674	129,428	433,102
Office expenses	246,612	79,086	325,698
Occupancy	235,218	75,433	310,651
Insurance	82,130	26,339	108,469
Other	199,140	63,863	263,003
Total expenses by function	<u>\$ 103,549,720</u>	<u>\$ 2,692,455</u>	<u>\$ 106,242,175</u>

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

BlueForge Alliance

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended September 30,

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 25,135,029	\$ 6,195,814
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	327,287	2,182
Share of partnership losses - equity method investment	92,087	-
Issue of stock in lieu of cash compensation	-	-
Changes in operating assets and liabilities:		
Accounts receivable	(9,968,348)	(14,865,287)
Contract receivable	(6,136,619)	-
Prepaid expenses and other current assets	(130,651)	(173,074)
Accounts payable	20,431,709	16,066,986
Accrued expenses and other liabilities	4,440,351	2,195,564
Contract liability	(24,667,099)	24,667,099
Non-cash lease expenses	(4,000)	(1,414)
	<u>9,519,746</u>	<u>34,087,870</u>
Cash flows from investing activities		
Purchases of property and equipment	(16,924,219)	(94,639)
Acquisition of equity method investment	(8,000,000)	-
	<u>(24,924,219)</u>	<u>(94,639)</u>
Cash from financing activities		
Payments on financing lease obligations	4,315	1,520
	<u>4,315</u>	<u>1,520</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,400,158)	33,994,751
Cash and cash equivalents, beginning of year	<u>33,994,751</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 18,594,593</u>	<u>\$ 33,994,751</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 11,780</u>	<u>\$ 234</u>
Supplemental		
Equipment financed through finance lease arrangements	<u>\$ 10,096</u>	<u>\$ 10,477</u>

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

BlueForge Alliance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2024 and 2023

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Consolidation

BlueForge Alliance (the “Company”) is a nonprofit organization established September 21, 2022, under the laws of the State of Texas to serve as an unbiased, neutral program integrator across industry, academia, and government to advance national security objectives. The Company is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code and state statutes, respectively, with the exception of unrelated business income. The Company is headquartered in Bryan, Texas.

The Company was formed to help galvanize and uplift the defense industrial base by holistically increasing capability, capacity, and resiliency through the three pillars of advanced manufacturing, supply chain optimization, and workforce development for the public good of national security. To help meet these demands of one of the nation’s most critical industry and national security priorities, we leverage our 501(c)(3) status to lessen the burdens of the U.S. Navy and Department of Defense (DoD) to further the program goals of the U.S. Maritime Industrial Base. We unite government, industry, and academia through a whole-of-nation, whole-of-government approach to address systemic challenges with collaborative, transparent, and innovative solutions. These specific activities include:

- Developing independent metrics and assessment methodologies which are used by the Navy and the DoD to analyze national defense technology and assess the capabilities of suppliers that manufacture submarines for use by the Navy, including the parts and equipment used in Navy submarines;
- Identifying suppliers for the Navy and DoD that are best capable of meeting the U.S. Maritime Industrial Base program requirements;
- Training and supporting the development of a workforce which is capable of manufacturing national defense technologies and submarines in order to carry-out the program goals of the U.S. Maritime Industrial Base;
- Facilitating the development of new national defense technologies to be used by the Navy and the DoD in advancing the critical program objectives of the U.S. Maritime Industrial Base; and
- Outsourcing work and facility development to industry partners with additional capacity to perform work outside of primary shipyards.

During the year ended September 30, 2024, the Company formed three new wholly-owned subsidiaries:

- BlueForge Holdings Inc. (BFH) was established on October 13, 2023, as a 501(c)(2) organization for the purpose of acquiring and holding title to the Company’s headquarters building located in Bryan, TX.
- BlueForge Development Capital (BFDC) Investor Blocker Corp. was established on February 5, 2024, for the purpose of making key investments that align with the Company’s strategy and Maritime Industrial Base initiatives.
- BlueForge Development Capital LP was established as a partnership on February 20, 2024, for the purposes of making key investments that align with the Company’s strategy and Maritime Industrial Base initiatives.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared to include BlueForge Alliance and all wholly-owned subsidiaries on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the accounts of

BlueForge Alliance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

BFH, BFDC, and BlueForge Development Capital LP. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company accounts for revenue recognition under Accounting Standards Codification (“ASC”) 606 (“ASC 606”). The Company's primary source of revenue are two federal cost-plus fixed fee contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue, including fee earned where applicable, when we have incurred expenditures in compliance with specific contract provisions. In September 2024, the Company was awarded a Naval Sea Systems Command (“NAVSEA”) prime contract. The new contract is a cost-plus fixed fee type, and no additional revenue recognition policies were necessary to facilitate any specific contract requirements.

We did not have any grants for the years ended September 30, 2024 or September 30, 2023.

The Company's contracts are subject to the Federal Acquisition Regulation (“FAR”) and are competitively priced based on the estimated costs of providing the contractual goods or services.

The Company accounts for a contract when the parties have approved the contract and are committed to perform on it, the rights of each party and the payment terms are identified, the contract has commercial substance, and it is probable that we will collect substantially all of the consideration.

At contract inception, the Company determines whether the goods or services to be provided are to be accounted for as a single performance obligation or as multiple performance obligations. This evaluation requires professional judgement and may impact the timing and pattern of revenue recognition. The Company's contracts call for multiple promises that are highly integrated and, as such, we account for them as having a single performance obligation.

The Company generally recognizes revenue over time throughout the performance period as the customer simultaneously receives and consumes the benefits provided. This continuous transfer of control for U.S. government contracts is supported by the unilateral right of our customer to terminate the contract for convenience without having to provide justification for its decision. For our cost-type contracts, the Company applies the right-to-invoice practical expedient in which revenue is recognized in direct proportion to the present right to consideration for progress towards the complete satisfaction of the performance obligation.

Contract modifications are reviewed to determine whether they should be accounted for as part of the original performance obligation or as a separate contract. When a contract modification changes the scope or price and the additional performance obligations are at their standalone selling price, the original contract is terminated and the Company accounts for the change prospectively when the new goods or services to be transferred are distinct from those already provided. When the contract modification includes goods or services that are not distinct from those already provided, the Company records a cumulative adjustment to revenue based on a remeasurement of progress towards the complete satisfaction of the not yet fully delivered performance obligation.

Based on the critical nature of the Company's contractual performance obligations, the Company may proceed with work based on customer direction prior to the completion and signing of formal contract documents. The Company has a formal review process for approving any such work that considers previous experiences with the customer, communications with the customer regarding funding status, and the Company's knowledge of available funding for the contract or program.

The Company bills federal governments in conformity with government contract schedules.

BlueForge Alliance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

Contract Assets

Contract assets include unbilled receivables typically resulting from revenue recognized on long-term contracts when the amount of revenue recognized exceeds the amounts billed. It also includes contract retainages until the Company has met the contract-stipulated requirements for payment. Contract assets are reported in a net position on a contract-by-contract basis each period. On a contract-by-contract basis, amounts do not exceed their net realizable value.

As of September 30, 2024 and September 30, 2023, total contract assets were \$6,136,619 and \$0, respectively.

Contract Liabilities

Contract liabilities include advance payments received and billings in excess of revenue recognized on long-term contracts. Contract liabilities are reported in a net position on a contract-by-contract basis each period. As of September 30, 2024 and September 30, 2023, total contract liabilities were \$0 and \$24,667,099, respectively.

Accounts Receivable and Allowance for Credit Losses

The Company's accounts receivables are due from a U.S. federal government agency. Accounts receivable as of September 30, 2024 includes costs and fees incurred through September 30, 2024 under cost-reimbursable contracts but not billed until October 2024. Accounts receivable as of September 30, 2023 includes costs and fees incurred through September 30, 2023 under cost-reimbursable contracts but not billed until October 2023.

The Company establishes allowances for credit losses in accounts receivable and contract assets. To measure expected credit losses, management considers historical collectability based on past due status as well as market conditions and forecasts of future economic conditions to inform potential adjustments to historical loss data. In addition, the Company records allowance for credit losses for specific receivables that are deemed to have a higher risk profile than the rest of the respective pool of receivables. The adequacy of these allowances is assessed regularly through consideration of factors on a collective basis where similar characteristics exist and on an individual basis.

The Company did not record an allowance for credit losses as of September 30, 2024 and 2023, as the Company does not believe there to be significant credit risk on accounts receivable.

All contract costs billed to the U.S. government are subject to audit by the Defense Contract Audit Agency ("DCAA") (see Note 7, Commitments and Contingencies).

Cash and Cash Equivalents

The Company considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents. The Company places its cash with a high credit quality institution. Accounts are insured by the Federal Deposit Insurance Corporation ("FDIC"). Cash deposits may exceed the FDIC insurable limit of \$250,000 at times throughout the year. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Property and Equipment

Property and equipment is recorded at cost and depreciated or amortized using the straight-line method over the estimated useful lives of the assets acquired, or the life of the respective lease. The Company's policy is to capitalize property and equipment purchases greater than \$5,000 with a useful life greater than

BlueForge Alliance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

one year. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of an asset group may not be fully recoverable in accordance with ASC 360, *Property, Plant and Equipment* ("ASC 360"). These events or changes in circumstances may include a significant deterioration of operating results, changes in business plans, or changes in anticipated future cash flows. If an indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the assets to future undiscounted cash flows expected to be generated by the assets. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. No impairment of long-lived assets were recognized during the fiscal years ended September 30, 2024 or September 30, 2023.

Reclassifications

The Company has made certain balance sheet reclassifications between prepaid expenses and other current assets and property and equipment, net. These reclassifications had no effect on the prior year reported results of operations.

Functional Allocation of Expenses

Program costs consist of expenses incurred related to the federal contracts. The costs of providing this program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses directly attributable to the contracts are reported as expenses of that functional area while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on a variety of factors including salaries and headcount.

Net Assets

Net assets represent the excess of accumulated contract cost reimbursements, fees and other income over total costs and expenses. The Company's net assets are without donor restrictions.

Income Taxes

The Company follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Company is exempt from federal income tax under Internal Revenue Code (the "Code") Section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Company has processes presently in place to ensure the maintenance of its tax-exempt status, to identify and report unrelated income, to determine its filing and tax obligations in jurisdictions for which it has nexus, and to identify and evaluate other matters that may be considered tax positions. The Company has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

BlueForge Alliance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Fair Value of Financial Instruments

Financial Accounting Standards Board ASC 820, *Fair Value Measurements* ("ASC 820"), provides the framework for measuring fair value and expands disclosures about fair value measurements.

In accordance with ASC 820, the Company classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available) and Level 3 (securities valued based on significant unobservable inputs).

Certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses are carried at cost, which due to their short maturities approximates their fair value.

Investments

During the year ended September 30, 2024, the Company invested in a limited partnership for the purpose of identifying investment opportunities for the Maritime Industrial Base. The investment is recognized in accordance with the equity method of accounting and the Company is required to recognize its share of accumulated losses, if any, to the extent there is sufficient carrying basis to absorb such losses. The Company shall discontinue applying the equity method if the investment is reduced to zero and track unrecorded gains or losses. The Company should continue to resume application of the equity method only after its share of unrecognized net income equals the share of net losses not recognized during the period the equity method was suspended.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Company regularly monitors the liquidity required to meet its operating needs and contractual commitments while also attempting to maximize the long-term value of its available funds. The Company has multiple sources of liquidity at its disposal, including cash and cash equivalents and accounts receivable.

The Company does not receive significant contributions or gifts with restrictions.

As of September 30, 2024 and 2023, the following financial assets could be readily available within one year of the statement of financial position date to meet general expenditures.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 18,594,593	\$ 33,994,751
Accounts receivable	24,833,785	14,865,287
	<u>\$ 43,428,378</u>	<u>\$ 48,860,038</u>

BlueForge Alliance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30, 2024 and 2023:

	2024	2023
Land	\$ 2,800,000	\$ -
Buildings and improvements	13,913,267	7,039
Equipment	18,535	23,806
Computer equipment and software	294,096	70,833
	17,025,898	101,678
Less: accumulated depreciation and amortization	(329,469)	(2,182)
Total property and equipment, net	\$ 16,696,429	\$ 99,496
	2024	2023
Net value of property and equipment by useful life		
Land	\$ 2,800,000	\$ -
5 Year	179,720	21,624
7 Year	12,011	-
10 Year	119,080	70,833
15 Year	22,651	-
39 Year	13,562,967	7,039
	\$ 16,696,429	\$ 99,496

The Company recorded depreciation expense totaling \$327,287 and \$2,182 for the years ended September 30, 2024 and 2023 respectively, which is recorded as a program expense on the consolidated statements of activities.

NOTE 4 - EQUITY METHOD INVESTMENT

The Company has an ownership interest in United Submarine Alliance Qualified Opportunity Fund (USA QOF), which incurs investment losses and other expenses. The Company accounts for its investment in USA QOF using the equity method. The carrying value for this equity method investment at September 30, 2024 was \$7,907,913 and the Company had no investments during the year ended September 30, 2023.

For the year ended September 30, 2024, the Company recognized losses of approximately \$92,087 from USA QOF, which reduced the Company's carrying value of the investment.

NOTE 5 - LEASES

The Company leases certain equipment at various terms under long-term non-cancelable finance lease agreements. The leases expire at various dates through 2028. The Company includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. No operating leases were identified during the fiscal year ended September 30, 2024 and 2023. The Company had a short-term operating lease for office space during the fiscal year ended September 30, 2023 that was not material to the financial statements.

BlueForge Alliance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

The weighted-average discount rate is based on the discount rate implicit in the lease. The Company has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Company applied the risk-free rate option to the building and office equipment classes of assets.

The Company has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

The Company has elected the practical expedient to separate lease and non-lease components for building and office equipment leases that have a net present value less than \$5,000. The Company classifies, by item, a capitalization threshold of \$5,000 as per company policy.

Total right-of-use assets and lease liabilities on September 30, 2024 and September 30, 2023 are as follows:

	2024	2023
Lease assets - classification in statement of financial position		
Finance right-of-use assets	\$ 15,210	\$ 9,054
Total leased right-of-use assets	\$ 15,210	\$ 9,054
Lease liabilities - classification in statement of financial position		
Finance right-of-use liabilities - current portion	\$ 3,994	\$ 1,989
Finance right-of-use liabilities - non-current portion	11,753	7,171
Total lease liabilities	\$ 15,747	\$ 9,160

Total lease costs for the years ended September 30, 2024 and September 30, 2023 are as follows:

	2024	2023
Finance lease cost		
Interest expense	\$ 620	\$ 234
Amortization of right-of-use assets	3,940	1,393

The following table summarizes the supplemental cash flow information for the year ended September 30, 2024:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 320	\$ 234
Financing cash flows from finance leases	3,940	1,393

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

	2024	2023
Weighted-average remaining lease term in years		
Finance leases	3.70	4.25
Weighted-average discount rate		
Finance leases	3.77%	3.61%

BlueForge Alliance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

The future minimum lease payments under noncancelable finance leases with terms greater than one year are listed below as of September 30, 2024:

	Finance
2025	\$ 4,500
2026	4,500
2027	4,500
2028	2,980
2029	370
Total lease payments	16,850
Less: interest	(1,103)
Present value of lease liabilities	\$ 15,747

NOTE 6 - ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consist of the following at September 30, 2024 and 2023:

	2024	2023
Accrued compensated vacation	\$ 1,523,692	\$ 651,649
Accrued salaries and wages	4,180,085	-
Accrued payables	667,367	913,027
Credit card charges payable	264,771	160,008
Interest income payable to government	-	470,880
	\$ 6,635,915	\$ 2,195,564

NOTE 7 - EMPLOYEE BENEFITS

The Company established a voluntary Safe Harbor defined contribution 401(k) plan that covers all employees who meet certain eligibility requirements. Employees may contribute a percentage of their compensation to the Plan. The Company's Safe Harbor matching contributions equal 100% of the employee deferral contributions not to exceed 6% of employee eligible compensation per payroll period. The Company's matching contributions for the year ended September 30, 2024 and September 30, 2023 was \$807,970 and \$264,222, respectively, and are included in contract costs in the accompanying consolidated statements of activities.

BlueForge Alliance

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

September 30, 2024 and 2023

NOTE 8 - COMMITMENTS AND CONTINGENCIES

DCAA Audits

Costs billed by the Company to the U.S. government pursuant to Department of Defense contracts are subject to audit by the DCAA. The Company's costs billed to the U.S. government through September 30, 2024 are in the process of being settled through indirect rate agreements with the Defense Contract Management Agency or DCAA. The Company does not believe any potential adjustment to subsequent periods would have a material effect on the accompanying consolidated financial statements. Accordingly, no provision for such adjustments has been made.

NOTE 9 - SUBSEQUENT EVENTS

The Company has evaluated subsequent events through June 27, 2025, the date the financial statements were available to be issued.

In October 2024, the Company executed a lease for approximately 16,000 square feet of office space located at 300 M Street in Washington D.C. in close proximity to its Navy and MIB partners. Subsequently, the Company executed an additional lease for approximately 9,300 square feet of office space on the 8th floor of 300 M Street, to be subleased by the U.S. Navy.

In April 2025, the Company secured a \$50 million credit facility, plus a \$25 million accordion, with Wells Fargo Bank, the Bank, for a two-year term. Interest is calculated per annum as a Daily Simple SOFR (Secured Overnight Financing Rate) loan equal to SOFR plus an applicable margin of 2.25%, daily. The Bank also charges an unused line fee of .50% per annum, daily.

SUPPLEMENTAL INFORMATION

BlueForge Alliance

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2024

Federal Grantor Program Title	Direct Award or Pass-through Entity	Assistance Listing No.	Contract/ Grant Number	Pass-Through Entity Identifying Number	Expenditures	Amount Passed through to Subrecipients
U.S. Department of Defense:						
Research and Development Cluster						
Naval Sea Systems Command - AUKUS Trilateral/US MIB Supplier Development	Direct Award	12.RD	N00024-24C-2135		\$ 93,269	\$ -
Cost Assessment and Program Evaluation (CAPE) Submarine Industrial Base (SIB) Growth	Pass-through from General Dynamics Electric Boat	12.RD	N00024-17-C-2117	1000042855	452,941,134	-
Total Research and Development Cluster					453,034,403	-
Total for U.S. Department of Defense					453,034,403	-
Total Federal Expenditures					<u>\$ 453,034,403</u>	<u>\$ -</u>

The accompanying notes to the schedule of expenditures of federal awards is an integral part of this schedule.

BlueForge Alliance

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2024

NOTE A - BUSINESS AND ORGANIZATION

BlueForge Alliance (“BFA”) is a nonprofit organization established September 21, 2022, under the laws of the State of Texas to serve as an unbiased, neutral program integrator across industry, academia, and government to advance national security objectives. BFA was formed to help galvanize and revitalize the U.S. defense industrial base, with particular attention to the submarine industrial base, supporting the United States Department of Defense and the U.S. Navy.

NOTE B - BASIS OF PRESENTATION

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

BFA generally operates under cost-type contracts with its federal sponsor and records costs as the effort is expended. Contract costs are recorded on the basis of direct costs, overhead and general and administrative expenses incurred. Indirect costs are allocated on the basis of direct labor cost incurred.

NOTE C - RESEARCH AND DEVELOPMENT PROGRAM CLUSTER

BFA has determined that its federal contract constitute a research and development program cluster. Accordingly, the accompanying schedule of expenditures of federal awards reflects its federal contract as a research and development program cluster.

NOTE D - INDIRECT COST RATE

BFA has elected not to use the 10% de minimis cost rate provided for in Subpart E, Section 200.414 of the Uniform Guidance.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Directors
BlueForge Alliance

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 consolidated financial statements of BlueForge Alliance and subsidiaries (the “Entity”), which comprise the consolidated statement of financial position as of September 30, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 27, 2025.

Report on internal control over financial reporting

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

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

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

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Entity'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

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

Grant Thornton LLP

Arlington, Virginia
June 27, 2025

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
BlueForge Alliance

Report on compliance for each major federal program

Opinion on each major federal program

We have audited the compliance of BlueForge Alliance and subsidiaries (the “Entity”) with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Entity’s major federal programs for the year ended September 30, 2024. The Entity’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 Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 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 (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Entity 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Entity’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 Entity’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 Entity'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 US 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 Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US 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 Entity'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 Entity'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 Entity'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 or significant deficiencies. 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.

Grant Thornton LLP

Arlington, Virginia
June 27, 2025

BlueForge Alliance

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

September 30, 2024

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported
Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over the major program:

Material weakness(es) identified? yes X no
Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award? yes X no

Identification of the major programs:

Federal Grantor/Program or Cluster Title Federal Assistance Listing Number

Research and Development Cluster 12.RD

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported.

BlueForge Alliance

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended September 30, 2024

Finding Number: 2023-001

Program Name: Assistance Listing 12.RD – Research and Development Cluster

Summary of Finding: During our testing of compliance and controls, we identified the following matters:

- For four procurement samples of a total of 15 items sampled, management utilized a single source justification. However, the rationale did not conform to the requirements of FAR 6.302 Circumstances Permitted Other than Full and Open Competition.
- For three procurement samples of a total of 15 items sampled, management was not able to provide evidence that they reviewed the exclusion records in sam.gov in accordance with FAR 9.405 (e)(1).

Status: Corrected.

Individual(s) Responsible for Corrective Action Plan

Lindy Beasley
VP, Contracts and Compliance
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