

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2024

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File No. 0-18492

DLH HOLDINGS CORP.

(Exact name of registrant as specified in its charter)

New Jersey

(State or other jurisdiction of
incorporation or organization)

22-1899798

(I.R.S. Employer
Identification No.)

3565 Piedmont Road, Building 3, Suite 700

Atlanta, Georgia

(Address of principal executive offices)

30305

(Zip code)

(770) 554-3545

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock	DLHC	Nasdaq Capital Market

Securities registered pursuant to Section 12(g) of the Securities Exchange Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15 (d) of the Securities Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accountant standards provided pursuant to Section 13(a) of the Exchange Act. Yes No

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates, as of the last business day of the registrant's most recently completed second fiscal quarter, March 31, 2024, was \$113,389,085.

As of December 2, 2024 there were 14,386,468 shares of the Registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates information by reference from the Company's definitive proxy statement, which proxy statement is due to be filed with the Securities and Exchange Commission not later than 120 days after September 30, 2024.

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PART I

FORWARD-LOOKING STATEMENTS

Certain information included or incorporated by reference in this document may not address historical facts and, therefore, could be interpreted to be “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including projections of financial performance; statements of plans, strategies and objectives of management for future operations; any statement concerning developments, performance or industry rankings relating to products or services; any statements regarding future economic conditions or performance; any statements of assumptions underlying any of the foregoing; and any other statements that address activities, events or developments that DLH Holdings Corp and its subsidiaries (“DLH” or the “Company” and also referred to as “we,” “us” and “our”) intends, expects, projects, believes or anticipates will or may occur in the future. Forward-looking statements may be characterized by terminology such as “believe,” “anticipate,” “expect,” “should,” “intend,” “plan,” “will,” “estimates,” “projects,” “strategy” and similar expressions. These statements are based on assumptions and assessments made by the Company’s management in light of its experience and its perception of historical trends, current conditions, expected future developments and other factors it believes to be appropriate. Any such forward-looking statements are not guarantees of future performance (financial or operating), and actual results, developments and business decisions may differ materially from those envisioned by such forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties that include but are not limited to the following: the failure to achieve the anticipated benefits of our recent acquisition or any future acquisition (including anticipated future financial operating performance and results); diversion of management’s attention from normal daily operations of the business and the challenges of managing larger and more widespread operations resulting from the acquisition; the inability to retain employees and customers; contract awards in connection with re-competes for present business and/or competition for new business; significant delays or reductions in appropriations for our programs, broader changes in United States (“U.S.”) government funding and spending patterns or the inability of the U.S. government to approve new appropriations legislation and avoid a shutdown of its operations; the risks and uncertainties associated with customer interest in and purchases of new services; our ability to manage our increased debt obligations; compliance with new bank financial and other covenants; changes in customer budgetary priorities; government contract procurement (such as bid protest, small business set asides, loss of work due to organizational conflicts of interest, etc.) and termination risks; the ability to successfully integrate the operations of recent and any future acquisitions; regional and national economic conditions in the U.S. and globally, including but not limited to: terrorist activities or war, changes in interest rates, and significant fluctuations in the equity markets; the impact of inflation and higher interest rates; the impact of any epidemic, pandemic or health emergency, including the measures to mitigate its effects, and its impact on the economy and demand for our services; and the other risk factors set forth under Item 1A, Risk Factors, in this Annual Report on Form 10-K and in our other SEC filings. The forward-looking statements included herein apply only as of the date of this Annual Report on Form 10-K. The Company disclaims any duty to update such forward-looking statements, all of which are expressly qualified by the foregoing, except as may be required by law.

ITEM 1. BUSINESS

Overview and Background

DLH Holdings Corp. (“DLH”) delivers improved health and readiness solutions for federal government customers through digital transformation and cyber security, science research and development, and systems engineering and integration. We bring a unique combination of government sector experience, proven methodology, and unwavering commitment to solve the complex problems faced by civilian and military customers alike, doing so by leveraging multiple capabilities, including cyber technology, artificial intelligence, advanced analytics, cloud-based applications, and telehealth systems.

Competitive Advantages

We believe we are advantageously positioned within our markets through a number of features including, but not limited to:

- highly credentialed workforce;
- predominantly performing as the prime contractor;
- strong past performance record across our government contracts; and
- strong bipartisan support for our key contracts.

We have invested in leading credentials and capabilities that we expect will deliver value to our customers. These investments include the development of secure Information Technology (“IT”) platforms; sophisticated data analytic tools and techniques; and implementation process improvement and quality assurance programs and techniques. We are actively pursuing additional credentials that will support our customers’ ever-evolving missions.

Solutions and Services

We primarily focus on improved deployment of large-scale health and defense initiatives for multiple agencies within the federal government, including the Department of Health and Human Services ("HHS"), the Department of Veterans Affairs ("VA"), Department of Defense ("DoD"), and many of their sub-agencies.

We deliver services primarily through prime contracts awarded by the federal government through competitive bidding processes. We have a diverse mix of contract vehicles with various agencies of the federal government, which supports our overall corporate growth strategy. Our revenue is distributed to time and materials contracts (54%), firm fixed price contracts (26%) and cost reimbursable contracts (20%).

We provide the following services and solutions, which are aligned with the long-term needs of our customers:

- Digital Transformation and Cyber Security;
- Science Research and Development; and
- Systems Engineering and Integration

Digital Transformation and Cyber Security

We provide critical digital transformation and cyber security solutions across the federal civilian and cyber defense communities, leveraging advanced technology to modernize obsolete systems, protect sensitive information, manage large datasets, and enhance operational efficiency. Our suite of tools includes artificial intelligence and machine learning, cloud enablement, cybersecurity ecosystem, big data analytics, and modeling and simulation.

IT modernization and cyber security maturity are priority initiatives throughout our customer set. Our customers, including numerous institutes and centers within the National Institutes of Health ("NIH"), the Defense Health Agency ("DHA"), Telemedicine and Advanced Technology Research Center ("TATRC"), and US Navy Naval Information Warfare Center ("NIWC"), rely on our information technology support to enable their vital missions. We work with these customers to reduce risk and build resilience to cyber and physical threats to the federal government's infrastructure, providing the full spectrum of cyber capabilities, cryptographic and true cyber engineering, Certified Information Security Officer ("CISO") / Information System Security Officer ("ISSO") support, risk management frameworks, Continuity of Operations ("COOP") / Disaster Recovery, and enterprise infrastructure and cloud governance focused on designing and implementing zero trust architecture.

Science Research and Development

We advance scientific knowledge and understanding through our extensive research portfolio and domain expertise. We primarily provide large-scale data analytics, testing and evaluation, clinical trials research services, and epidemiology studies to support multiple operating divisions within HHS, including NIH and the Center for Disease Control and Prevention ("CDC"), the Military Health System, and leading academic institutes.

Our employees support innovative, cutting-edge research on emerging trends, health informatics analyses, and the application of best practices including mobile, social, and interactive media. We leverage evidence-based methods and web technology to drive health equity to our most vulnerable populations through public engagement. Projects often involve highly specialized expertise and transformative R&D support services. Our decades of experience designing, conducting, and analyzing studies for our diverse customer base, and our full-service clinical research solutions are designed for each customer's specific research development program. Our employees provide expert knowledge and experience that supports our customers' missions.

System Engineering and Integration

Our employees specialize in delivering engineering solutions that support our customers' evolving needs by rapidly deploying resources, solutions, and services. This includes specialized engineering expertise, encompassing areas of pharmaceutical delivery logistics, fire protection engineering, biomedical equipment, and technology engineering on behalf of the VA, NIWC, HHS and other federal customers.

We utilize automation to accelerate infrastructure innovation and help customers define a lifecycle for automation assets, as well as set standards for version control, testing, and release processes that proved a robust foundation for their customers. DLH delivers IT operational resilience and efficiency in parallel with technology innovation integration, via hybrid and multi-cloud solutions, leveraging integrated services, process automation, advanced tool stacks, and mature quality processes. Our

employees engineer, implement, and operate solutions that demonstrate measurable results to satisfy our customer’s management requirements, thus helping customers to confidently deploy secure platforms and technologies that reduce operational costs. We have invested in agile software development credentials for our technical staff and have achieved Capability Maturity Model Integration (“CMMI”) level 3. Our enterprise lifecycle logistics support services encompass military systems deployed worldwide, as well as scientific and IT systems and peripherals for Federal civilian agencies.

Major Customers

Our revenues are from agencies of the U.S. Federal government. A major customer is defined as a customer from whom we derive at least 10% of our revenues. The following table summarizes the revenues by customer for the years ended September 30, 2024 and 2023, respectively (in thousands):

	2024		2023	
	Revenue	Percent of total revenue	Revenue	Percent of total revenue
Department of Health and Human Services	\$ 184,544	46.6 %	\$ 161,311	42.9 %
Department of Veterans Affairs	139,945	35.3 %	138,862	37.0 %
Department of Defense	64,128	16.2 %	70,325	18.7 %
Customers with less than 10% share of total revenue	7,320	1.9 %	5,374	1.4 %
Revenue	\$ 395,937	100.0 %	\$ 375,872	100.0 %

We remain dependent upon the continuation of our relationships with our major customers as a significant portion of our revenue is concentrated in each of them. Our results of operations, cash flows and financial condition would be materially adversely affected if we were unable to continue our relationship with any of these customers, if we were to lose any of our material contracts, or if the amount of services we provide to them is materially reduced.

Major Contracts

We operate primarily through prime contracts awarded by the government through competitive bidding processes. We have a diverse mix of contract vehicles with various agencies of the U.S. government, which supports our overall corporate growth strategy. A major contract is defined as a contract or set of contracts from which we derive at least 10% of our revenues.

The revenue attributable to the VA was derived from separate task orders covering the Company’s performance of pharmacy and logistics services at various regional locations, in support of the VA’s Consolidated Mail Outpatient Pharmacy (“CMOP”) program.

- CMOP pharmacy and logistic services represent approximately \$139.9 million and \$138.8 million of revenues for the years ended September 30, 2024 and 2023, respectively
- After the close of fiscal 2024, we received new tasks orders to continue providing services to seven CMOP locations. The new task orders were issued under the contract awarded in April 2024 and have varying durations of up to four months. At the conclusion of these task orders, the customer may extend these task orders or award new task orders if they have not yet awarded the new contracts.

As previously reported, the VA issued separate requests for proposals for healthcare pharmacy and logistic services for each of its eight CMOP locations. Each of these procurements is being evaluated separately and may be subject to differing timelines for award. The procurements were set-aside for a service-disabled veteran owned small business (“SDVOSB”) as the prime contractor. During the quarter ended March 31, 2024, the VA began the process of evaluating these and subsequently made an award decision for the Chelmsford CMOP Staffing Services location to an SDVOSB unrelated to DLH. In support of DLH’s continuing performance as the prime contractor during the ongoing acquisition evaluation, the VA awarded us a sole-source IDIQ contract effective May 1, 2024. The IDIQ has a ceiling value of \$200.0 million and a maximum period of performance through April 30, 2025, with the potential for orders placed within that period to extend performance through October 2025.

During the quarter ended June 30, 2024, the VA issued amendments to the requests for proposals for the seven remaining CMOP locations. The amendments required a current or potentially new bidder to respond to the solicitations’ changes with a compliant proposal. As with all proposal opportunities, DLH evaluated the revised CMOP requests for proposal for suitability of terms and conditions. As a result, we elected to not pursue certain of the opportunities.

Proposals were due for four of the seven locations during the quarter ended September 30, 2024. The remaining three locations have not yet had their proposal due dates assigned. While the acquisition process is being conducted, DLH continues to operate as the prime contractor for all seven CMOP locations that it currently manages. DLH intends to provide additional updates to the progression of these solicitations as a part of its regular quarterly and annual filings.

The Company's contract with HHS in support of its Head Start program generated \$40.4 million and \$36.0 million of revenues for the years ended September 30, 2024 and 2023, respectively. This contract has a period of performance through April 2025.

Backlog

On September 30, 2024, our backlog was approximately \$690.3 million, of which \$155.1 million was funded backlog. On September 30, 2023 our backlog was \$704.8 million, of which \$169.9 million was funded backlog.

We define backlog as our estimate of remaining future revenue from existing signed contracts, assuming the exercise of all options relating to such contracts and including executed task orders issued under Indefinite Quantity/Indefinite Delivery ("IDIQ") contracts or if the contract is a single award IDIQ contract.

We define funded backlog as the portion of backlog for which funding is appropriated and allocated to the contract by the customer and authorized for payment by the customer, once specified work is completed. Funded backlog does not include the full contract value as funding for contracts occurs on a periodic basis.

Circumstances and events may cause changes in the amount of our backlog and funded backlog, including the execution of new contracts, extension of existing contracts, non-renewal or completion of current contracts, early termination, and adjustments to estimates. Changes in funded backlog may be affected by the funding cycles of the government. While no assurances can be given that existing contracts will result in earned revenue in any future period, or at all, our major customers have historically exercised their contractual renewal options.

Backlog value is quantified from management's judgment and assumptions about the volume of services based on past volume trends and current planning developed with customers.

Competitive Landscape

Competitive solicitations and long business development cycles are characteristics of the government contracting industry in which we operate. For major program competitions, the business acquisition cycle typically ranges from 18 to 36 months. Companies may pursue work either as prime contractor or partner with other companies in a subcontractor role. Those competing as prime contractors normally expend substantially more resources than those in subcontractor roles. We predominantly are the prime contractor on our contracts with federal government customers and compete with several large and small-business companies in pursuit of acquiring new business. In some cases, we seek to partner with other companies on new business pursuits to improve our competitive positioning with the customer.

Our competitors include operating units within: Accenture Federal Services LLC, BAE Systems plc, Booz Allen Hamilton Holding Corp., CACI International, Inc., Deloitte, ECS Federal, LLC, The Emmes Company, LLC, General Dynamics Information Technology, Inc., Guidehouse, IBM Federal, ICF International, Inc., Information Management Services, Inc., Leidos Holdings, Inc., LMI Consulting, LLC, ManTech International Corp., NexGen Data Systems Inc., Peraton, Inc., PPD Inc., Scientific Research Corp, Rho, Inc., RTI International, SAIC Inc., The Informatics Applications Group Inc. (TIAG), UnitedHealth Group, Inc. and Westat, Inc.

We compete with these companies by leveraging our differentiating suite of tools and uniquely integrating people and processes and a solid track record of past performance, resulting in highly competitive proposals. We believe that our proprietary tools and processes, including e-PRAT[®] and SPOT-m[®], along with our InfiniByte[®] cloud-based management system differentiate us from our competitors. We compete for awards through a full and open competition on a best-value basis. We draw heavily from our consistently high-quality past performance ratings, proven and evolving technical differentiators, key personnel credentials and growing market recognition to compete. We believe that our track record, knowledge and processes with respect to government contract bidding represent significant competitive advantages. Further, we believe that the range and depth of educational experience and professional credentials and certifications held by our employees allows us to deploy highly qualified teams to implement solutions to address the needs of our customers. Our recent and future success in this competitive landscape hinges on our ability to continue to uniquely integrate people, processes and technology tools to deliver best value solutions for our targeted customers (both government and industry partners).

Additionally, the Federal government may elect to restrict certain procurement activity, including renewals of our current contracts, to bidders that qualify for certain special statuses such as veteran owned, small, or small disadvantaged businesses. For those efforts, we would be limited to a subcontractor role.

Seasonality

The U.S. government's fiscal year ends on September 30 each year. While not certain, it is not uncommon for U.S. government agencies to award extra tasks or complete other contract actions in the weeks before the end of its fiscal year in order to avoid the loss of unexpended fiscal year funds.

Regulation

Our business is affected by numerous laws and regulations relating to the award, administration and performance of U.S. Government contracts. In addition, many federal and state laws materially affect our operations. These laws relate to ethics, labor, tax, and employment matters. As any employer is, we are subject to federal and state statutes and regulations governing their standards of business conduct with the government, including that government contracts typically contain provisions permitting government customers to terminate contracts without cause with limited notice or compensation. The development of additional statutes and regulations and interpretation of existing statutes and regulations with respect to our industry can be expected to evolve over time. Through our corporate membership with the Professional Services Council and other affiliations, we monitor proposed and pending regulations from relevant congressional committees and government agency policies that have potential impact upon our industry and our specific strategically targeted markets. As with any commercial enterprise, we cannot predict with certainty the nature or direction of the development of Federal statutes and regulations that will affect its business operations. See Risk Factors in Part I, Item 1A.

Intellectual Property

Our business involves providing services to government entities, our operations generally are not substantially dependent upon obtaining and/or maintaining copyright or trademark protections, although our operations make use of such protections and benefit from them as discriminators in competition. We claim copyright, trademark and other proprietary rights in a variety of intellectual property, including each of our proprietary computer software and data products and the related documentation. We hold the trademarks, e-PRAT[®] and SPOT-m[®], for our offerings that optimize resource allocation and supply chain management processes in connection with our business process management services, as well as the registered trademark, InfiniByte[®], for our cloud-based solution. We maintain a number of trade secrets that contribute to our success and competitive distinction and endeavor to accord such trade secrets adequate protection to ensure their continuing availability.

Human Capital Management and Employee Relations

Our employees are critical to our success and are the reason we continue to execute at a high level. We believe our continued focus on making employee engagement and development is a key component of delivering high quality services to our customers.

As of September 30, 2024, we employed approximately 2,800 employees performing throughout the U.S. and one location overseas. Management believes that it has good relations with its employees.

Vision and Values

DLH's vision is to be the most trusted provider of technology solutions and readiness enhancement services to Federal civilian and military agencies. Through our work, DLH supports Military Service Members, Veterans, children and families, and other at-risk and underserved communities. As a market influencer and emerging leader, DLH strives to shape and enhance the sustainability and readiness posture of those we serve, delivering value to our customers and stakeholders.

DLH stands on strong values including:

- Integrity and Trust - We establish relationships throughout our organization and with customers and partners that are built on a foundation of mutual trust and respect, which exemplifies the way DLH does business. We are committed to the highest standards of ethical conduct during the course of all business.
- Performance Excellence - We are focused on achieving all requirements, with a passion for continuous improvement in the quality of our services and products. We strive to be our customers' "best value" provider and attain the highest measure of customer and shareholder satisfaction.

- Diversity and Inclusion - We create and sustain a corporate culture that fosters inclusion of all employees and values each individual's unique talents and perspectives. We leverage the value of our diversity into every aspect of our business.
- Agility - As we grow, we continue to evolve in a manner that maintains our flexibility and agility. This allows us to anticipate and respond to ever-changing government service requirements while delivering maximum value to customers and shareholders.

Talent Acquisition, Development, and Retention

Our success depends in large part on our ability to attract talent to meet the needs of our customers. To ensure we have the talent to meet the needs of our customers, we employ broad recruiting and outreach efforts to enable us to attract an inclusive pool of highly qualified candidates. As demand for talent is highly competitive, we continue to invest in our employees through a variety of benefits and overall program enhancements. We continually review and adapt our recruiting, hiring, and training efforts to respond to market imperatives and the needs of our customers.

We seek to attract and cultivate high performing talent by providing opportunities for career growth, skills development, and recognition for their contributions as they work to serve our customers. We provide competitive compensation programs to compete and reward our talented employees. In addition to base compensation, additional compensatory benefits may include bonus programs and participation in a 401(k) Plan. We have used targeted equity-based grants with performance and service based vesting conditions to facilitate attracting and retaining key personnel. We also invest in talent development initiatives including industry-leading learning management solutions, professional credentialing, and licensures. These benefits will further enhance our talented employee base and augment our efforts to infuse proven best practices into our operations through world-class talent acquisition and talent management tools.

Employee Safety and Health

We are committed to the health, safety and wellness of our employees. We provide our employees and their families with flexible and convenient health and wellness programs, including competitive benefits arrangements to address healthcare needs, including health insurance benefits, health savings and flexible spending accounts, paid time off, family leave, and family care resources.

Company Website and Information

Our corporate headquarters are located at 3565 Piedmont Road NE, Building 3 Suite 700, Atlanta, Georgia 30305. Our telephone number is (770) 554-3545. Our website is www.dlhcorp.com. The website contains information about our company and operations. Links to the Investor Relations section of our website, copies of our filings with the U.S. Securities and Exchange Commission ("SEC") on Forms 10-K, 10-Q, 8-K, and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. In addition, the SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including DLH. The information on our website is not incorporated by reference into and is not part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

As provided for under the Private Securities Litigation Reform Act of 1995 ("1995 Reform Act"), we wish to caution shareholders and investors that the following important factors, among others discussed throughout this Annual Report on Form 10-K for the fiscal year ended September 30, 2024, have affected, and in some cases could affect, our actual results of operations and cause our results to differ materially from those anticipated in forward looking statements made herein. Our business, results of operations, cash flows and financial condition may be materially and adversely affected due to any of the following risks. The risks described below are not the only ones we face. Additional risks we are not presently aware of or that we currently believe are immaterial may also impair our business operations. The trading price of our common stock could decline due to any of these risks. In assessing these risks, you should also refer to the other information contained or incorporated by reference in this Annual Report on Form 10-K, including our consolidated financial statements and related notes.

Risks Relating to Our Business and the Industry in which we Compete

We depend on contracts with the Federal government for virtually all of our revenue and our business could be seriously harmed if the Federal government decreased or ceased doing business with us.

At present, we derive 98% of our revenue from agencies of the Federal government, primarily as a prime contractor but also as a subcontractor to other Federal prime contractors. In addition, substantially all accounts receivable, including unbilled accounts receivable, are from agencies of the U.S. Government as of September 30, 2024 and 2023. We expect that Federal government contracts will continue to be our primary source of revenue for the foreseeable future. We believe that the credit risk associated with our receivables is limited due to the creditworthiness of these customers. In general, if we were suspended or debarred from contracting with the federal government or if the government otherwise ceased doing business with us or significantly decreased the amount of business it does with us, our business, financial condition and operating results would be materially and adversely affected.

A significant portion of our revenue is concentrated in a small number of contracts, and we could be seriously harmed if we were unable to continue providing services under, or unsuccessful in our recompile efforts on, these contracts.

A significant portion of our revenue is concentrated in contracts with the VA and HHS. There can be no assurance as to the actual amount of services that we will ultimately provide to VA and HHS under our current contracts, or that we will be successful in recompile efforts. As described in greater detail above in "Item 1 - Business - Major Contracts", our contracts with the VA for the provision of services to its CMOP operations is currently subject to renewal solicitations which have been published as a set aside for a service-disabled veteran owned small business ("SDVOSB") to perform as the prime contractor. DLH submitted revised proposals with its SDVOSB partner as prime contractor on certain of the opportunities. During the fiscal year ended September 30, 2024, the VA awarded one of the task orders to a SDVOSB that is unaffiliated with DLH. While the acquisition process is being conducted, DLH continues to operate as the prime contractor for the seven CMOP locations that it currently manages. Our results of operations, cash flows and financial condition would be materially adversely affected if we were unable to continue our relationship with either of these customers, if we were to lose any of our material current contracts, or if the amount of services we provide to them is materially reduced.

The U.S. government may prefer veteran-owned, minority-owned, women-owned and small disadvantaged businesses; therefore, we may have fewer opportunities to bid for or could lose a portion of our existing work to small businesses.

As a result of the Small Business Administration ("SBA") set-aside program, the U.S. government may decide to restrict certain procurement activity only to bidders that qualify as veteran owned, minority-owned, small, or small disadvantaged businesses. In such cases, we would not be eligible to perform as a prime contractor on those programs and would be limited to work as a subcontractor on those programs. As previously reported, various agencies within the federal government have policies that support small business goals, including the adoption of the "Rule of Two" by the VA, which provides that the agency shall award contracts by restricting competition for the contract to service-disabled or other veteran owned businesses. To restrict competition pursuant to this rule, the contracting officer must reasonably expect that at least two of these businesses, which are capable of delivering the services, will submit offers and that the award can be made at a fair and reasonable price that offers the best value to the U.S. The effect of these set-aside provisions may limit our ability to compete for prime contractor positions on programs that we have targeted for growth and to maintain our prime contractor position as current contracts are subject to renewal.

Loss of our GSA schedule contracts or other contracting vehicles could impair our ability to win new business and perform under existing contracts.

We currently hold multiple GSA schedule contracts, including a Federal supply schedule contract for professional and allied healthcare services and the logistics worldwide services contract. If we were to lose one or more of these contracts or other contracting vehicles, we could lose a significant revenue source and our operating results and financial condition could be materially and adversely affected.

Future legislative or government budgetary and spending changes could negatively impact our business.

U.S. Government programs are subject to annual congressional budget authorization and appropriation processes. For many programs, Congress appropriates funds on a fiscal year basis even though the program performance period may extend over several years. Consequently, programs are often partially funded initially and additional funds are committed only as Congress makes further appropriations. In recent years, we have seen frequent debates regarding the scope of funding of our customers, thereby leading to budgetary uncertainty for our Federal customers. Changes in federal government budgetary priorities or actions taken to address government budget deficits, the national debt, and/or prevailing economic conditions, could directly affect our financial performance. Further, congressional seats may change during election years, and the balance of spending priorities may change along with them. Historically, our customers' missions have received bipartisan support from the legislative and executive branches of the federal government. However, we anticipate that the President-Elect and new Congress will seek to implement their budget priorities, which may impact our customers' projects and budgets.

A significant decline in government expenditures, a shift of expenditures away from programs that we support or a change in federal government contracting policies could cause federal government agencies to reduce their purchases under contracts, to exercise their right to terminate contracts at any time without penalty or not to exercise options to renew contracts. In the event the budgets or budgetary priorities of the U.S. Government entities with which we do business are delayed, decreased or underfunded, our consolidated revenues and results of operations could be materially and adversely affected.

VA programs, which accounted for approximately 35.3% and 36.9% of the Company's revenue for the years ended September 30, 2024 and 2023, respectively, were exempt from the spending caps established under Federal government sequestration targets enacted in 2013.

Because we depend on U.S. government contracts, a delay in the completion of the U.S. government's budget and appropriations process could delay procurement of the services we provide and adversely affect our future revenues.

The funding of U.S. government programs is subject to an annual congressional budget authorization and appropriations process. In years when the U.S. government does not complete its appropriations before the beginning of the new fiscal year on October 1, government operations are typically funded pursuant to a "continuing resolution," which allows federal government agencies to operate at spending levels approved in the previous appropriations cycle but does not authorize new spending initiatives. Currently, the U.S. government is operating under a continuing resolution (CR) which expires on December 20, 2024. When the U.S. government operates under a CR, delays can occur in the procurement of the services and solutions that we provide and may result in new initiatives being canceled. When a CR expires, unless appropriations bills have been passed by Congress and signed by the President, or a new CR is passed and signed into law, the government must cease operations, or shutdown, except in certain emergency situations or when the law authorizes continued activity. We continuously review our operations in an attempt to identify programs potentially at risk from CRs so that we can consider appropriate contingency plans. A federal government shutdown could, however, result in our incurrence of substantial labor or other costs without reimbursement under customer contracts, the delay or cancellation of programs or the delay of contract payments, which could have a negative effect on our cash flows and adversely affect our future results of operations.

The markets in which we operate are highly competitive, and many of the companies we compete against have substantial resources. Further, the U.S. Government contract bid process is highly competitive, complex and sometimes lengthy, and is subject to protest and implementation delays.

The markets in which we operate are highly competitive. Further, many of our contracts and task orders with the Federal government are awarded through a competitive bidding process, which is complex and sometimes lengthy. We expect that many of the opportunities we will seek in the foreseeable future will be awarded through competitive bidding. Furthermore, budgetary pressures and developments in the procurement process have caused many government customers to increasingly purchase goods and services through IDIQ contracts, GSA schedule contracts and other government-wide acquisition contracts. These contracts, some of which are awarded to multiple contractors, have increased competition and pricing pressure, requiring that we make sustained post-award efforts to realize revenue under each such contract. Many of our competitors are larger and have greater resources than we do, larger customer bases and greater brand recognition. Our competitors, individually or through relationships with third parties, may be able to provide customers with different or greater capabilities or benefits than we can provide. If we are unsuccessful in competing with these other companies, our revenues and margins may materially decline.

Overall, the competitive bidding process presents a number of risks, including the following: (i) we expend substantial cost and managerial time and effort to prepare bids and proposals for contracts that we may not win, and to defend those bids through any protest process; (ii) we may be unable to estimate accurately the resources and cost structure that will be required to service any contract we win; and (iii) we may encounter expenses and delays if our competitors protest or challenge awards of contracts to us in competitive bidding, and any such protest or challenge could result in the resubmission of bids on modified specifications, or in the termination, reduction or modification of the awarded contract. If we are unable to win particular contracts, we may be prevented from providing the services that are purchased under those contracts for a number of years. If we are unable to consistently win new contract awards over any extended period, our business and prospects will be adversely affected and that could cause our actual results to differ materially and adversely from those anticipated. In addition, upon the expiration of a contract, if the customer requires further services of the type provided by the contract, there is frequently a competitive rebidding process. There can be no assurance that we will win any particular bid, or that we will be able to replace business lost upon expiration or completion of a contract, and the termination or non-renewal of any of our significant contracts could cause our actual results to differ materially and adversely from those anticipated.

If a bid is won and a contract awarded, there still is the possibility of a bid protest or other delays in implementation. Our business could be adversely affected by delays caused by our competitors protesting major contract awards received by us, resulting in the delay of the initiation of work. It can take many months to resolve protests by one or more of our competitors of contract awards we receive. The resulting delay in the startup and funding of the work under these contracts may cause our actual results to differ materially and adversely from those anticipated, and there can be no assurance that such protest process or implementation delays will not have a material adverse effect on our financial condition or results of operations in the future.

Our business may suffer if we or our employees are unable to obtain and maintain the necessary security clearances or other qualifications required to perform services for our customers.

Many federal government contracts require us to have security clearances and employ personnel with specified levels of education, work experience and security clearances. Depending on the level of clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees lose or are unable to obtain necessary security clearances, we may not be able to win new business and our existing customers could terminate their contracts with us or decide not to renew them. To the extent we cannot obtain or maintain the required security clearances for our employees working on a particular contract, we may not derive the revenue anticipated from the contract, which could cause our results to differ materially and adversely from those anticipated.

Our business is regulated by complex federal procurement and contracting laws and regulations, and we are subject to periodic compliance reviews by governmental agencies.

We must comply with complex laws and regulations relating to the formation, administration, and performance of federal government contracts, including the Federal Acquisition Regulation, which, among other things, requires us to certify and disclose cost and pricing data and to divest work in the event of certain organizational conflicts of interest. These laws and regulations create compliance risk and affect how we do business with our federal agency customers and may impose added costs on our business. The government may in the future reform its procurement practices or adopt new contracting rules and regulations, including cost accounting standards, that could be costly to satisfy or that could impair our ability to obtain new contracts or change the basis upon which it reimburses our compensation and other expenses or otherwise limit such reimbursements. These changes could impair our ability to obtain new contracts or win re-competed contracts or adversely affect our future profit margin. Additionally, the government may face restrictions from new legislation, regulations or government union pressures, on the nature and amount of services the government may obtain from private contractors. Any reduction in the government's use of private contractors to provide federal services could cause our actual results to differ materially and adversely from those anticipated.

Our performance on our U.S. Government contracts and our compliance with applicable laws and regulations, including submission of invoices to our customers, are subject to audit by the government. The scope of any such audits could span multiple fiscal years. These agencies review our performance on contracts, pricing practices, cost structure and compliance with applicable laws, regulations and standards. They also evaluate the adequacy of internal controls over our business systems, including our purchasing, accounting, estimating, earned value management, and government property systems. Any costs found to be improperly allocated or assigned to contracts will not be reimbursed, and any such costs already reimbursed must be refunded and certain penalties may be imposed. Moreover, if any of the administrative processes and systems are found not to comply with requirements, we may be subjected to increased government scrutiny and approval that could delay or otherwise adversely affect our ability to compete for or perform contracts or collect our revenues in a timely manner. Therefore, an unfavorable outcome of an audit could cause actual results to differ materially and adversely from those anticipated. If a government review or investigation uncovers illegal activities or activities not in compliance with a particular contract's terms or conditions, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, harm to our reputation, suspension of payments, fines, and suspension or debarment from doing business with Federal government agencies. Any of these events could lead to a material reduction in our revenues, cash flows and operating results. Further, as the reputation and relationships that we have established and currently maintain with government personnel and agencies are important to our ability to maintain existing business and secure new business, damage to our reputation or relationships could have a material adverse effect on our revenue and operating results.

Federal government contracts may be terminated at will and may contain other provisions that may be unfavorable to us.

Many of the U.S. Government programs in which we participate as a contractor or subcontractor may extend for several years. The U.S. Government may modify, curtail or terminate its contracts and subcontracts for convenience and to the extent that a contract award contemplates one or more option years, the Government may decline to exercise such option periods. Accordingly, the maximum contract value specified under a government contract or task order awarded to us is not necessarily indicative of the revenue that we will realize under that contract. Due to our dependence on these programs, the modification, curtailment or termination of our major programs or contracts may have a material adverse effect on our results of operations and financial condition. In addition, federal government contracts contain provisions and are subject to laws and regulations that give the government rights and remedies, some of which are not typically found in commercial contracts, including allowing the government to (i) cancel multi-year contracts and related orders if funds for contract performance for an subsequent year become unavailable; (ii) claim rights in systems and software developed by us; (iii) suspend or debar us from doing business with the federal government or with a governmental agency; and (iv) impose fines and penalties and subject us to criminal prosecution. If the government terminates a contract for convenience, we may recover only our incurred or committed costs, settlement expenses and profit on work completed prior to the termination. If the government terminates a contract for default, we may be unable to recover even those amounts and instead may be liable for excess costs incurred by the government in procuring undelivered items and services from another source. Depending on the value of a contract, such termination could cause our actual results to differ materially and adversely from those anticipated.

Certain contracts also contain organizational conflict of interest (OCI) clauses that limit our ability to compete for or perform certain other contracts. OCIs arise any time we engage in activities that (i) make us unable or potentially unable to render impartial assistance or advice to the government; (ii) impair or might impair our objectivity in performing contract work; or (iii) provide us with an unfair competitive advantage. For example, when we work on the design of a particular system, we may be precluded from competing for the contract to develop and install that system. Depending upon the value of the matters affected, an OCI issue that precludes our participation in or performance of a program or contract could cause our actual results to differ materially and adversely from those anticipated.

We may not receive the full amounts authorized under the contracts included in our backlog, which could reduce our revenue in future periods below the levels anticipated.

Our total backlog consists of funded and unfunded amounts and may include estimates and assumptions about matters that cannot be determined with certainty at the time the backlog is calculated. Funded backlog represents contract value that has been appropriated by a customer and is expected to be recognized into revenue. Unfunded backlog represents the sum of the unappropriated contract value on executed contracts and unexercised option years that is expected to be recognized into revenue. The maximum contract value specified under a government contract or task order awarded to us is not necessarily indicative of the revenue that we will realize under that contract. For example, we generate revenue from IDIQ contracts, which do not require the government to purchase a pre-determined amount of goods or services under the contract. Action by the government to obtain support from other contractors or failure of the government to order the quantity of work anticipated could cause our actual results to differ materially and adversely from those anticipated. Additionally, many of our multi-year contracts may only be partially-funded at any point during their term with the unfunded portion subject to future appropriations by Congress. As a result of a lack of appropriated funds or efforts to reduce federal government spending, our backlog may not result in revenue. Accordingly, our backlog may not result in actual revenue in any particular period, or at all, which could cause our actual results to differ materially and adversely from those anticipated.

Our business growth and profitable operations require that we develop and maintain strong relationships with other contractors with whom we partner or otherwise depend on.

We may enter into future teaming ventures with other companies, which carry risk in regard to maintaining strong, trusted working relationships in order to successfully fulfill contract obligations. Teaming arrangements may include being engaged as a subcontractor to a prime contractor, engaging a subcontractor on a contract for which we are the prime contractor, or entering into a joint venture with another company. We may lack control over fulfillment of such contracts, and poor performance on the contract could impact our customer relationship, even if we perform as required. We expect to depend on relationships with other contractors for a portion of our revenue in the foreseeable future. Our revenue and operating results could differ materially and adversely from those anticipated if any such prime contractor or teammate chooses to offer directly to the customer services of the type that we provide or if they team with other companies to provide those services.

Restrictions on or other changes to the federal government's use of service contracts may harm our operating results.

We derive virtually all of our revenue from service contracts with the federal government. The government may face restrictions from new legislation, regulations or government union pressures on the nature and amount of services the government may obtain from private contractors (i.e., insourcing versus outsourcing). Any reduction in the government's use of private contractors to provide federal services could cause our actual results to differ materially and adversely from those anticipated.

Our earnings and margins may vary based on the mix of our contracts and programs.

At September 30, 2024, our backlog includes cost reimbursable, time-and-materials, and firm-fixed-price contracts. Our earnings and margins may vary depending on the relative mix of contract types, the costs incurred in their performance, the achievement of other performance objectives and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Our employees, or those of our teaming partners, may engage in misconduct or other improper activities which could harm our business.

We are exposed to risk from misconduct or fraud by our employees, or employees of our teaming partners. Such violations could include intentional disregard for Federal government procurement regulations, engaging in unauthorized activities, seeking reimbursement for improper expenses, or falsifying time records. Employee misconduct could also involve the improper use of our customers' sensitive or classified information and result in a serious harm to our reputation. While we have appropriate policies in effect to deter illegal activities and promote proper conduct, it is not always possible to deter employee misconduct. Precautions to prevent and detect this activity may not be effective in controlling such risks or losses. As a result of employee misconduct, we could face fines and penalties, loss of security clearance and suspension or debarment from contracting with the federal government, which could materially and adversely affect our business, results of operations, financial condition, cash flows, and liquidity.

If we are unable to attract qualified personnel, our business may be negatively affected.

We rely heavily on our ability to attract and retain qualified employees and other personnel who possess the skills, experience, and licenses necessary in order to provide our solutions for our assignments. Our business is materially dependent upon the continued availability of such qualified personnel. Our inability to secure qualified personnel would have a material adverse effect on our business. Competition for qualified employees is intense and the cost of attracting qualified personnel and providing them with attractive benefits packages may be higher than we anticipate and, as a result, if we are unable to pass these costs on to our customers, our profitability could decline. Moreover, if we are unable to attract and retain qualified personnel, the quality of our services may decline and, as a result, we could lose customers.

If our subcontractors do not perform their contractual obligations, our performance as a prime contractor and our ability to obtain future business could be materially and adversely impacted and our actual results could differ materially and adversely from those anticipated.

Our performance of government contracts may involve the issuance of subcontracts to other companies upon which we rely to perform all or a portion of the work we are obligated to deliver to our customers. Unsatisfactory performance by one or more of our subcontractors to deliver on a timely basis the agreed-upon supplies, perform the agreed-upon services, or appropriately manage their vendors may materially and adversely impact our ability to perform our obligations as a prime contractor. A subcontractor's performance deficiency could result in the government terminating our contract for default. A default termination could expose us to liability for excess costs of reprocurement by the government and have a material adverse effect on our ability to compete for future contracts and task orders. Depending upon the level of problem experienced, such problems with subcontractors could cause our actual results to differ materially and adversely from those anticipated.

The federal government's appropriation process and other factors may delay the collection of our receivables, and our business may be adversely affected if we cannot collect our receivables in a timely manner.

We depend on the collection of our receivables to generate cash flow, provide working capital, pay debt and continue our business operations. If the federal government or any prime contractor for whom we are a subcontractor fails to pay or delays the payment of their outstanding invoices for any reason, our business and financial condition may be materially and adversely affected. The government may fail to pay outstanding invoices for a number of reasons, including lack of appropriated funds or lack of an approved budget. Contracting officers have the authority to impose contractual withholdings, which can also adversely affect our ability to collect timely. If we experience difficulties collecting receivables, it could cause our actual results to differ materially and adversely from those anticipated. In addition, from time to time, when we are awarded a contract, we incur significant expenses before we receive any contract payments. These expenses include leasing and outfitting office space, purchasing office equipment, and hiring personnel. In other situations, contract terms provide for billing upon achievement of specified project milestones. In these situations, we are required to expend significant sums of money before receiving related contract payments. In addition, payments due to us from government agencies may be delayed due to billing cycles or as a result of failures by the government to approve governmental budgets in a timely manner. In addition to these factors, poor execution on project startups could impact us by increasing our use of cash. In certain circumstances, we may defer recognition of costs incurred at the inception of a contract. Such action assumes that we will be able to recover these costs over the life of the contract. To the extent that a project does not perform as anticipated, these deferred costs may not be considered recoverable resulting in an impairment charge.

Our profitability could suffer if our cost-management strategies are unsuccessful, and we may not be able to improve our profitability.

Our ability to improve or maintain our profitability is dependent on our being able to successfully manage our costs, including taking actions to reduce certain costs and optimize our business. Our cost management strategies include maintaining appropriate alignment between the demand for our services and solutions and the workforce needed to deliver them. If we are not effective in managing our operating costs in response to changes in demand or pricing, or if we are unable to cost-effectively hire and retain people with the knowledge and skills necessary to deliver our services and solutions we may incur increased costs, which could reduce our ability to continue to invest in our business in an amount necessary to achieve our planned rates of growth and our desired levels of profitability.

If we do not accurately anticipate the cost, risk and complexity of performing our work or if third parties upon whom we rely do not meet their commitments, then our contracts could have delivery inefficiencies and be less profitable than expected or unprofitable.

Our contract profitability is highly dependent on our forecasts regarding the effort and cost necessary to deliver our services and solutions, which are based on available data and could turn out to be materially inaccurate. If we do not accurately estimate the effort, costs or timing for meeting our contractual commitments and/or completing engagements to a client's satisfaction, our contracts could yield lower profit margins than planned or be unprofitable. In addition, many of the contracts we perform under require that we utilize subcontractors or that our services and solutions incorporate or coordinate with the software, systems or infrastructure requirements of other vendors and service providers. Our profitability depends on the ability of these subcontractors, vendors and service providers to deliver their products and services in a timely manner, at the anticipated cost, and in accordance with the project requirements, as well as on our effective oversight of their performance. In some cases, these subcontractors are small firms, and they might not have the resources or experience to successfully integrate their services or products with large-scale engagements or enterprises. Some of this work involves new technologies, which may not work as intended or provide anticipated productivity gains, or may take more effort to implement than initially predicted. Any of these factors could adversely affect our ability to perform and subject us to additional liabilities, which could have a material adverse effect on our relationships with clients and on our results of operations.

Risks Relating to Our Information Technology Systems and Intellectual Property

We are highly dependent on the proper functioning of our information systems.

We are highly dependent on the proper functioning of our information systems in operating our business. Critical information systems used in daily operations match employee resources and customer assignments and track regulatory credentialing. They also perform payroll, billing and accounts receivable functions. As the breadth and complexity of this infrastructure continues to grow, including as a result of the increasing reliance on, and use of, mobile technologies, social media and cloud-based services, as more of our employees continue to work remotely, and as cyberattacks become increasingly sophisticated (e.g. deepfakes and AI generated social engineering), the risk of security incidents and cyberattacks has increased. Threat actors may leverage emerging AI technologies to develop new hacking tools and attack vectors, exploit vulnerabilities, obscure their activities, and increase the difficulty of threat attribution. Such incidents could lead to shutdowns or disruptions of or damage to our systems and those of our clients, business partners and vendors, and unauthorized disclosure of sensitive or confidential information, including personal data and proprietary business information. Both our client and our company may experience, data security incidents resulting from unauthorized access to our and our service providers' systems and unauthorized acquisition of our data and our clients' data including: inadvertent disclosure, misconfiguration of systems, phishing ransomware or malware attacks. While we have multiple back up plans for these types of contingencies, our information systems are vulnerable to fire, storms, flood, power loss, telecommunication outages, physical break-ins, cyber-attack, ransomware, and similar events. If our information systems become inoperable, or are otherwise unavailable, these functions would have to be accomplished manually, which in turn could impact our financial viability, due to the increased cost associated with performing these functions manually. Unauthorized disclosure or use of, denial of access to, or other incidents involving sensitive or confidential client, vendor, business partner or DLH data, whether through systems failure, employee negligence, fraud, misappropriation, or cybersecurity, ransomware or malware attacks, or other intentional or unintentional acts, could damage our reputation and our competitive positioning in the marketplace, disrupt our or our clients' business, cause us to lose clients and result in significant financial exposure and legal liability. Cybersecurity threats are constantly expanding and evolving, becoming increasingly sophisticated and complex, increasing the difficulty of detecting and defending against them and maintaining effective security measures and protocols.

Our systems and networks may be subject to cybersecurity breaches.

Many of our operations rely heavily upon technology systems and networks to receive, input, maintain and communicate participant and customer data pertaining to the programs we manage. While we have programs designed to protect such information and comply with all relevant privacy and security requirements, the threats that our clients face have grown more frequent and sophisticated. Any systems failures, whether caused by us, a third-party service provider, or unauthorized intruders and hackers, or due to situations such as computer viruses, natural disasters, or power shortages, could cause loss of data or interruptions or delays in our business or that of our customers. If our systems or networks were compromised by a security breach, we could be adversely affected by losing confidential or protected information of program participants and customers, and we could suffer reputational damage and a loss of confidence from prospective and existing customers. Similarly, if our internal networks were compromised, we could be adversely affected by the loss of proprietary, trade secret or confidential technical and financial data. The loss, theft or improper disclosure of that information could subject the Company to sanctions under the relevant laws, remediation costs, contract termination, lawsuits from affected individuals, negative press articles and a loss of confidence from our government customers, all of which could adversely affect our existing business, future opportunities and financial condition. Further, our property and cyber insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our actual results could differ materially and adversely from those anticipated. In addition, in order to provide services to our customers, we often depend upon or use customer systems that are supported by the customer or third parties. Any security breach or system failure in such systems could result in an interruption of our customer's operations which could cause us to experience significant delays under a contract, and a material adverse effect on our results of operations.

Additionally, a number of projects require us to receive, maintain and transmit protected health information or other types of confidential personal information. That information may be regulated by the Health Insurance Portability and Accountability Act (HIPAA), the Health Information Technology for Economic and Clinical Health Act of 2009, Internal Revenue Service regulations and other laws. The loss, theft or improper disclosure of that information could subject us to sanctions under these laws, breach of contract claims, lawsuits from affected individuals, negative press articles and a loss of confidence from our government customers, all of which could adversely affect our existing business, future opportunities and financial condition.

Failure to adequately protect, maintain, or enforce our rights in our intellectual property may adversely limit our competitive position.

We rely upon a combination of nondisclosure agreements and other contractual arrangements, as well as copyright, trademark, and trade secret laws to protect our proprietary information. We also enter into proprietary information and intellectual property agreements with employees, which require them to disclose any inventions created during employment, to convey such rights to inventions to us, and to restrict any disclosure of proprietary information. Trade secrets are generally difficult to protect. Although our employees are subject to confidentiality obligations, this protection may be inadequate to deter or prevent misappropriation of our confidential information and/or the infringement of our trademarks and copyrights. Further, we may be unable to detect unauthorized use of our intellectual property or otherwise take appropriate steps to enforce our rights. Failure to adequately protect, maintain, or enforce our intellectual property rights may adversely limit our competitive position.

We may face from time to time, allegations that we or a supplier or customer have violated the intellectual property rights of third parties. If, with respect to any claim against us for violation of third-party intellectual property rights, we are unable to prevail in the litigation or retain or obtain sufficient rights or develop non-infringing intellectual property or otherwise alter our business practices on a timely or cost-efficient basis, our business and competitive position may be adversely affected.

Any infringement, misappropriation or related claims, whether or not meritorious, are time consuming, divert technical and management personnel, and are costly to resolve. As a result of any such dispute, we may have to develop non-infringing intellectual property, pay damages, enter into royalty or licensing agreements, cease utilizing certain products or services, or take other actions to resolve the claims. These actions, if required, may be costly or unavailable on terms acceptable to us.

Risks Relating to Acquisitions

In connection with acquisitions, we may be required to take write-downs or write-offs, restructuring and impairment, or other charges that could negatively affect our business, assets, liabilities, prospects, outlook, financial condition, and results of operations.

Although we conduct extensive due diligence in connection with an acquisition, we cannot assure that this diligence revealed all material issues that may be present, that it would be possible to uncover all material issues through customary due diligence, or that factors outside of our control will not later arise. We have also purchased representations and warranties insurance in connection with the acquisition, but there is no assurance that those policies will cover any losses we might experience from

breaches of the sellers' representations and warranties or otherwise arising from the acquisition. Even if our due diligence successfully identifies certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with our preliminary risk analysis. Further, as a result of the acquisition, purchase accounting, and the operation of the combined company after closing, we may be required to take write-offs or write-downs, restructuring and impairment or other charges that could negatively affect business, assets, liabilities, prospects, outlook, financial condition and results of operations.

We may have difficulty identifying and executing other acquisitions on favorable terms and therefore may grow at slower than anticipated rates.

One of our potential paths to growth is to selectively pursue acquisitions. Through acquisitions, we may be able to expand our base of customers, increase the range of solutions we offer to our customers and deepen our penetration of existing markets and customers. We may not identify and execute suitable acquisitions. To the extent that management is involved in identifying acquisition opportunities or integrating new acquisitions into our business, our management may be diverted from operating our core business. Without acquisitions, we may not grow as rapidly otherwise, which could cause our actual results to differ materially and adversely from those anticipated.

We may encounter other risks in regard to making acquisitions, including:

- increased competition for acquisitions may increase the costs of our acquisitions;
- non-discovery or non-disclosure of material liabilities during the due diligence process, including omissions by prior owners of any acquired businesses or their employees in complying with applicable laws or regulations, or their inability to fulfill their contractual obligations to the federal government or other customers; and
- acquisition financing may not be available on reasonable terms or at all.

Any of these risks could cause our actual results to differ materially and adversely from those anticipated.

We may have difficulty integrating the operations of companies we acquire, which could cause actual results to differ materially and adversely from those anticipated.

The success of a potential future acquisition strategy depends upon our ability to successfully integrate the businesses. We may have difficulty integrating a business that we may acquire in the future. The integration of a business into our operations may result in unforeseen operating difficulties, absorb significant management attention and require significant financial resources that would otherwise be available for the ongoing development of our business. These integration difficulties include the integration of personnel with disparate business backgrounds, the transition to new information systems, coordination of geographically dispersed organizations, loss of key employees of acquired companies, and reconciliation of different corporate cultures. Further, the integration process could take longer than anticipated and could result in the loss of key employees, the disruption of each company's ongoing businesses, result in tax costs or inefficiencies, or inconsistencies in standards, controls, information technology systems, procedures and policies, any of which could materially adversely affect our ability to maintain relationships with customers, employees or other third parties, or our ability to achieve the anticipated benefits of the transactions, and could harm our financial performance. For these or other reasons, we may be unable to retain key customers of acquired companies. Moreover, any acquired business may not generate the revenue or net income we expected or produce the efficiencies or cost-savings we anticipated. Any of these outcomes could cause our actual results to differ materially and adversely from those anticipated.

With respect to our acquisition of DLH, LLC (formerly, Grove Resource Solutions, LLC) in December 2022, the benefits of the acquisition will depend, in part, on our ability to successfully combine our businesses and realize the anticipated benefits, including business opportunities and growth prospects from combining our businesses. We may not achieve these objectives within the anticipated time frame or may never realize these benefits and the value of our common stock may be harmed. The acquisition involves the integration of the acquired business with our existing business, which was a costly and time-consuming process. If we are ultimately unable to successfully or efficiently integrate our operations with those of the acquired business, we may incur unanticipated liabilities and be unable to realize the revenue growth, synergies, and other anticipated benefits resulting from the acquisition, and our business, results of operations, and financial condition could be materially adversely affected.

We have a substantial amount of goodwill on our balance sheet. Future write-offs of goodwill may have the effect of decreasing our earnings or increasing our losses.

We have obtained growth through acquisitions of other companies and businesses. Under existing accounting standards, we are required to periodically review goodwill for possible impairment. In the event that we are required to write down the value of any assets under these pronouncements, it may materially and adversely affect our earnings. See the more detailed discussion appearing as part of our [Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7](#) herein.

Risks Relating to Our Outstanding Indebtedness

We have incurred debt in connection with acquisitions and we must make the scheduled principal and interest payments on the facility and maintain compliance with other debt covenants.

Following our acquisition of DLH, LLC (formerly, Grove Resource Solutions, LLC) in December 2022, we amended and restated our credit agreement with First National Bank of Pennsylvania and certain other lenders (the "Credit Agreement") and incurred additional indebtedness. The Credit Agreement requires compliance with a number of financial covenants and contains restrictions on our ability to engage in certain transactions, including limitations on: granting liens; incurring other indebtedness; disposing assets; making investments in other entities; and completing other mergers and consolidations. Also, the Credit Agreement requires us to comply with certain financial covenants including a minimum fixed charge coverage ratio and a maximum total leverage ratio. In addition, the Credit Agreement also requires prepayments of a percentage of excess cash flow. Accordingly, a portion of our cash flow from operations was dedicated to the repayment of our indebtedness and we expect future cash flow to be used to reduce our indebtedness. The Credit Agreement provides for customary events of default, including, among other things, a payment default, covenant default or defaults on other indebtedness or judgments in excess of a stipulated amount, change of control events, suspension or disbarment from contracting with the federal government and the material inaccuracy of our representations and warranties. If we are unable to make the scheduled principal and interest payments on the Credit Agreement or maintain compliance with other debt covenants, we may be in default under the Credit Agreement, which if not waived, could cause our debt to become immediately due and payable and enable the lenders to enforce their rights under the Credit Agreement. Such an event would likely have a material adverse effect on our business, financial condition and results of operations.

Our increased indebtedness could adversely affect us in a number of other ways, including:

- causing us to be less able to take advantage of business opportunities, such as other acquisition opportunities, and to react to changes in market or industry conditions;
- increasing our vulnerability to adverse economic, industry, or competitive developments;
- affecting our ability to pay or refinance debts as they become due during adverse economic, financial market, and industry conditions;
- requiring us to use a larger portion of cash flow for debt service, reducing funds available for other purposes;
- decreasing our profitability and/or cash flow;
- causing us to be disadvantaged compared to competitors with less leverage; and
- limiting our ability to borrow additional funds in the future to fund working capital, capital expenditures, and other general corporate purposes.

Risks Relating to Our Corporate Structure and Capital Stock

Our stock price has been volatile and your investment in our common stock may suffer a decline in value.

The price of our common stock has been subject to fluctuations, has declined in value over the past fiscal year, and may further decline in the future due to risks defined herein, or due to factors beyond our control, including changes in market conditions such as increased interest rates, a recession, or a change in Federal spending priorities. Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could adversely affect the trading price of our common stock.

Since we have not paid dividends on our common stock, you cannot expect dividend income from an investment in our common stock.

We have not paid any dividends on our common stock since our inception and do not contemplate or anticipate paying any dividends on our common stock in the foreseeable future. Current lenders do and future potential lenders may prohibit us from paying dividends without prior consent. Therefore, holders of our common stock may not receive any dividends on their investment in us. Earnings, if any, may be retained and used to finance the development and expansion of our business.

We may issue preferred stock with rights senior to our common stock, which may adversely impact the voting and other rights of the holders of our common stock.

Our certificate of incorporation authorizes the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors up to an aggregate of 5,000,000 shares of preferred stock. Accordingly, our board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights, which would adversely affect the voting power or other rights of the holders of our common stock. In the event of issuance, the preferred stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of our Company, which could have the effect of discouraging bids for our Company and thereby prevent stockholders from receiving the maximum value for their shares. Although we have no present intention to issue any shares of our preferred stock, in order to discourage or delay a change of control of our Company, we may do so in the future. In addition, we may determine to issue preferred stock in connection with capital raising efforts and the terms of the stock so issued could have special voting rights or rights related to the composition of our Board.

The exercise or vesting of our outstanding common stock options and restricted stock units may depress our stock price and dilute your ownership of the Company.

To the extent that options are exercised or restricted stock units vest, dilution to our shareholders will occur. We cannot foresee the impact of any potential sales of our common shares on the market, but it is possible that if a significant percentage of such available shares were attempted to be sold within a short period of time, the market for our shares would be adversely affected. It is also unclear whether or not the market for our common stock could absorb a large number of attempted sales in a short period of time. Moreover, the terms upon which we will be able to obtain additional equity capital may be adversely affected, since the holders of these securities can be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital on terms more favorable to us than the exercise terms provided by those securities. To the extent that these securities are exercised, dilution to our shareholders will occur. Moreover, the terms upon which we will be able to obtain additional equity capital may be adversely affected, since the holders of these securities can be expected to exercise them at a time when we would, in all likelihood, be able to obtain any needed capital on terms more favorable to us than the exercise terms provided by those securities.

Anti-takeover provisions in our Articles of Incorporation make a change in control of our Company more difficult.

The provisions of our Articles of Incorporation and the New Jersey Business Corporation Act, together or separately, could discourage potential acquisition proposals, delay or prevent a change in control and limit the price that certain investors might be willing to pay in the future for our common stock. Among other things, these provisions:

- require certain super majority votes; and
- establish certain advance notice procedures for nomination of candidates for election as directors and for shareholders' proposals to be considered at shareholders' meetings.

In addition, the New Jersey Business Corporation Act contains provisions that, under certain conditions, prohibit business combinations with 10% shareholders and any New Jersey corporation for a period of five years from the time of acquisition of shares by the 10% shareholder. The New Jersey Business Corporation Act also contains provisions that restrict certain business combinations and other transactions between a New Jersey corporation and 10% shareholders.

Our executive officers, directors and significant stockholders will be able to influence matters requiring stockholder approval.

As of September 30, 2024, our executive officers, directors and largest shareholder (Wynnefield Capital, Inc. and its affiliates) own approximately 41% of our outstanding common stock. Within this amount, Wynnefield Capital, Inc. and its affiliates own approximately 26% of our outstanding common stock. This concentration of ownership may have the effect of delaying, preventing or deterring a change in control of the Company, could deprive our stockholders of an opportunity to receive a premium for their common stock as part of a sale or merger of our company and may negatively affect the market price of our common stock. These matters might include proxy contests, tender offers, mergers or other purchases of common stock that could give our stockholders the opportunity to realize a premium over the then-prevailing market price for shares of our common stock.

In addition, persons associated with Wynnefield Capital, Inc. currently serve on our Board of Directors. As a result of this share ownership and relationships on our Board of Directors, our largest stockholder will be able to influence all affairs and actions of our company, including matters requiring stockholder approval such as the election of directors and approval of significant corporate transactions. The interests of our principal stockholders may differ from the interests of the other stockholders.

General Business Risks

We may experience fluctuations in our revenues and operating results from period to period.

Our revenue and operating results may fluctuate significantly and unpredictably in the future. We have expended, and will continue to expend, substantial resources to enhance our health services offerings and expansion into the Federal health market. We may incur growth expenses before new business revenue is realized, thus showing lower profitability in a particular period or consecutive periods. Other factors which may cause our cash flows and results of operations to vary from quarter to quarter include: the terms and progress of contracts; expenses related to certain contracts which may be incurred in periods prior to revenue being recognized; the commencement, completion or termination of contracts during any particular quarter; the timing and terms of award contracts; and government budgetary delays or shortfalls. We may be unable to achieve the desired levels of revenue growth due to circumstances that are beyond our control, as already expressed regarding competition, government budgets, and the procurement process in general. In particular, if the federal government does not adopt, or delays adoption of, a budget for each fiscal year beginning on October 1, or fails to pass a continuing resolution, federal agencies may be forced to suspend our contracts and delay the award of new and follow-on contracts and orders due to a lack of funding. Also, some aspects of this work can be seasonal with regard to resources and funding, and it is difficult to predict the timing of when those resources will be expended. Although we continue to manage our operating costs and expenses, there is no guarantee that we will significantly increase future revenue and profit in any particular future period. Revenue levels achieved from our customers, the mix of solutions that we offer and our performance on future contracts will affect our financial results. Further, changes in the volume of activity and the number of contracts commenced, completed or terminated during any quarter may cause significant variations in our cash flows and results of operations. Therefore, period-to-period comparisons of our operating results may not be a good indication of our future performance.

An increase in the prices of goods and services could raise the costs associated with providing our services, diminish our ability to compete for new contracts or task orders and/or reduce customer buying power.

We may experience an increase in the costs in our supply and labor markets due to global inflationary pressures and other various geopolitical factors. We generate a portion of our revenues through various fixed price and multi-year government contracts which anticipate moderate increases in costs over the term of the contract. With the current pace of inflation our standard approach to moderate annual price escalations in our bids for multi-year work may be insufficient to counter inflationary cost pressures. This could result in reduced profits, or even losses, as inflation increases, particularly for fixed priced contracts and our longer-term multi-year contracts. In the competitive environment in which we operate as a government contractor, the lack of pricing leverage and ability to renegotiate long-term, multi-year contracts, could reduce our profits, disrupt our business, or otherwise materially adversely affect our results of operations.

Our profits and revenues could suffer if we are involved in legal proceedings, investigations, and disputes.

We are exposed to legal proceedings, investigations and disputes. In addition, in the ordinary course of our business we may become involved in legal disputes regarding personal injury or employee disputes. While we provide for these types of incidents through commercial third-party insurance carriers, we often defray these types of cost through higher deductibles. Any unfavorable legal ruling against us could result in substantial monetary damages by losing our deductible portion of carried insurance. We maintain insurance coverage as part of our overall legal and risk management strategy to lower our potential liabilities. If we sustain liabilities that exceed our insurance coverage or for which we are not insured, it could have a material adverse impact on our results of operations, cash flows and financial condition, including our profits, revenues and liquidity.

We are dependent upon certain of our management personnel and do not maintain "key personnel" life insurance on our executive officers.

Our success to date has resulted in part from the significant contributions of our executive officers. Our executive officers are expected to continue to make important contributions to our success. As of September 30, 2024, certain of our officers are under employment contracts. However, we do not maintain "key personnel" life insurance on any of our executive officers. Loss for any reason of the services of our key personnel could materially affect our operations.

We may not be fully covered by the insurance we procure and our business could be adversely impacted if we were not able to renew all of our insurance plans.

Although we carry multiple lines of liability insurance (including coverage for medical malpractice and workers' compensation), they may not be sufficient to cover the total cost of any judgments, settlements or costs relating to any present or future claims, suits or complaints. If we are unable to secure renewal of our insurance contracts or the renewal of such contracts with favorable rates and with competitive benefits, our business could be adversely affected. In addition, sufficient insurance may not be available to us in the future on satisfactory terms or at all. Further, the fact that the majority of our employees are located at customer locations increases our potential liability for negligence and professional malpractice and such liabilities may not become immediately apparent. Any increase in our costs of insurance will impact our profitability to the extent that we cannot offset these increases into our costs of services. If the insurance we carry is not sufficient to cover any judgments, settlements or costs relating to any present or future claims, suits or complaints, our business, financial condition, results of operations and liquidity could be materially adversely affected.

Our financial condition may be affected by increases in employee healthcare claims and insurance premiums, and workers' compensation claims and insurance rates.

Our current workers' compensation and medical plans are partially self-funded insurance programs. The Company currently pays base premiums plus actual losses incurred, not to exceed certain individual and aggregate stop-loss limits. In addition, health insurance premiums, and workers' compensation rates for the Company are in large part determined by our claims experience. These categories of expenditure comprise a significant portion of our direct costs. If we experience a large increase in claim activity, our direct expenditures, health insurance premiums, unemployment taxes or workers' compensation rates may increase. Although we employ internal and external risk management procedures in an attempt to manage our claims incidence and estimate claims expenses and structure our benefit contracts to provide as much cost stability as reasonably possible given the self-funded nature of our plans, we may not be able to prevent increases in claim activity, accurately estimate our claims expenses or pass the cost of such increases on to our customers. Since our ability to incorporate such increases into our fees to our customers is constrained by contractual arrangements with our customers, a delay could occur before such increases could be reflected in our fees, which may reduce our profit margin. As a result, such increases could have a material adverse effect on our financial condition, results of operations and liquidity.

We may be subject to fines, penalties and other sanctions if we do not comply with laws governing our business.

Our business lines operate within a variety of complex regulatory schemes, including but not limited to the FAR, Federal Cost Accounting Standards, the Truth in Negotiations Act, as well as the regulations governing accounting standards. If a government audit finds improper or illegal activities by us or we otherwise determine that these activities have occurred, we may be subject to civil and criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or disqualification from doing business with the government. Any adverse determination could adversely impact our ability to bid in response to RFPs in one or more jurisdictions. Further, as a government contractor subject to the types of regulatory schemes described above, we are subject to an increased risk of investigations, criminal prosecution, civil fraud, whistleblower lawsuits and other legal actions and liabilities to which private

sector companies are not, the result of which could have a material adverse effect on our operating results, cash flows and financial condition.

Changes to U.S. tax laws may adversely affect our financial condition or results of operations and create the risk that we may need to adjust our accounting for these changes.

The accounting treatment of these tax law changes is complex, and some of the changes may affect both current and future periods. Consistent with guidance from the SEC, our consolidated financial statements reflect our estimates of the tax effects of the current tax laws and regulations.

We are exposed to increased costs and risks associated with complying with increasing and new regulation of corporate governance and disclosure standards.

Since the implementation of the Sarbanes-Oxley Act of 2002, we spend a significant amount of management's time and resources (both internal and external) to comply with changing laws, regulations and standards relating to corporate governance and public disclosures. This compliance requires management's annual review and evaluation of our internal control systems. This process has caused us to engage outside advisory services and has resulted in additional accounting and legal expenses. We may encounter problems or delays in completing these reviews and evaluation and the implementation of improvements. If we are not able to timely comply with the requirements set forth in the Sarbanes-Oxley Act of 2002, we might be subject to sanctions or investigation by regulatory authorities. Any such action could materially adversely affect our business and our stock price.

Our results of operations could in the future be materially adversely impacted by global, macroeconomic events, such health epidemics, pandemics and other outbreaks, and the response to contain it.

We face various risks related to health epidemics, pandemics, and similar outbreak. The COVID-19 pandemic and the mitigation efforts to control its spread created significant volatility, uncertainty and economic disruption and adversely impacted the U.S. and global economies. The extent to which future health epidemics or pandemics impacts our business, operations and financial results will depend on numerous factors that we may not be able to accurately predict or control, including: the duration and scope of the pandemic; governmental, business and individuals' actions that have may be taken in response to such events, including our ability to fully perform on our contracts as a result of government actions; the impact on economic activity and actions taken in response; the effect on our customers and customer demand for our services and solutions; our ability to sell and provide our services and solutions; and any closures of our and our customers' offices and facilities. Furthermore, the significant increase in remote working of our employees may exacerbate certain risks to our business, including an increased demand for information technology resources and the increased risk of malicious technology-related events, such as cyberattacks and phishing attacks. Any of these events could materially adversely affect our business, financial condition, results of operations and the market price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved staff comments.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

As a leading provider of technology-enabled healthcare and public health services, medical logistics, and readiness enhancement services, we continuously monitor for and defend against cyber threats and advanced persistent threats both internally and for our clients. Our cybersecurity risk management program is an integral part of our overall enterprise risk management program, and is designed to assess, identify, manage and mitigate internal and external cybersecurity risks, threats and incidents

As a public company and a government contractor, we are required to comply with extensive security and compliance regulations and standards and we employ technologies and have implemented programs and processes to continually assess, identify, and manage cybersecurity risks as we aim to incorporate industry best practices throughout our cybersecurity program. Our cybersecurity risk management program is designed to align with the National Institute of Standards and Technology ("NIST") Cybersecurity Framework and comply with extensive regulations, including U.S. government cybersecurity regulations. Our policies and implemented controls are assessed at least annually by external organizations for compliance with Federal Risk and Authorization Management ("FedRAMP"), Federal Information Security Modernization Act ("FISMA"), Cybersecurity Maturity Model Certification ("CMMC"), and International Organization for Standardization ("ISO") 27001 standards. We also conduct periodic penetration tests, threat simulations, and exercises to test the effectiveness of our cybersecurity defenses and controls, as well as our ability to respond to and recover from cybersecurity incidents. We undertake efforts to address and mitigate risks from vulnerabilities identified during such assessments, simulations, and exercises, including through employee cybersecurity training and ongoing investments in capabilities to protect our assets.

Governance and Management's Responsibilities

Our cybersecurity risk management program is led by Executive and Senior management, who hold a number of certifications including Certified CMMC Professional ("CCP"), Certified Information Security Manager ("CISM"), and Project Management Professional ("PMP"). Management is responsible for our information security strategy, policies, security architecture and engineering, security operations, and cybersecurity threat detection and response. The team of senior management officers responsible for our cybersecurity function is tasked with ensuring that potential cybersecurity risks are monitored, appropriate mitigation measures are implemented, and our processes for identifying and assessing cybersecurity risks and reporting cybersecurity breaches and other information security incidents operate as designed and comply with applicable requirements.

Our Board and its committees oversee the Company's risk management processes, including but not limited to those relevant to cybersecurity risks. Our Cybersecurity, Technology, and Biomedical Research ("CTBR") Committee is chaired by an independent director who is certified in Cybersecurity Oversight. The CTBR Committee receives briefings on our cybersecurity posture and cybersecurity trends and risks from management. Our CTBR Committee regularly briefs our Board of Directors on security posture, planned activities, and cybersecurity risks which may cause a material, adverse impact to the Company's operations, reputation, or value and will report any findings or make recommendations to the Board, as appropriate.

Cybersecurity Threats

To date, we have not identified any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business operations or financial condition. While we have taken significant steps to manage cybersecurity risks, there can be no assurance that these measures will prevent all potential incidents. For more information on our cybersecurity related risks, see Item 1A Risk Factors of this Annual Report on Form 10-K.

ITEM 2. PROPERTIES

We do not own any real estate or other properties. As of September 30, 2024, we operate seven locations in the U.S. and one location in Kampala, Uganda: occupying a total of approximately 93.7 thousand square feet. The Company's corporate headquarters is located at 3565 Piedmont Road NE, Building 3 Suite 700, Atlanta, Georgia 30305, and we presently maintain a National Capital Region office in Bethesda, Maryland. All of our offices are in reasonably modern and well-maintained buildings and we believe that our facilities are adequate for present operations and the foreseeable future. For the fiscal year ended September 30, 2024, our total lease expense was approximately \$4.0 million. See [Note 6. Leases](#) in Part II of this Annual Report on Form 10-K for additional information.

ITEM 3. LEGAL PROCEEDINGS

As a commercial enterprise and employer, the Company is subject to various claims and legal actions in the ordinary course of business. These matters can include professional liability, employment-relations issues, workers' compensation, tax, payroll and employee-related matters, other commercial disputes arising in the course of its business, and inquiries and investigations by governmental agencies regarding our employment practices or other matters. The Company is not aware of any pending or threatened litigation that it believes is reasonably likely to have a material adverse effect on its results of operations, financial position or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Principal Market

Our common stock is currently traded on The Nasdaq Capital Market under the symbol "DLHC."

Equity Holders

As of September 30, 2024, the number of shareholders of our common stock of record was approximately 100 persons. The number of stockholders of record is not representative of the number of beneficial stockholders due to the fact that many shares are held by depositories, brokers, or nominees.

Dividends

We have not declared or paid any cash dividends on its common stock since inception. We do not intend to pay any cash dividends at this time or in the foreseeable future.

Recent Sales of Unregistered Securities

None.

Repurchase of Equity Securities

None.

Securities Authorized for Issuance under Equity Compensation Plans

The Company presently utilizes one shareholder-approved equity compensation plan under which it makes equity compensation awards available to officers, directors, employees and consultants. The table set forth below discloses outstanding and available awards under our equity compensation plans as of September 30, 2024. All grants of equity securities made to executive officers and directors are presently made under the 2016 Omnibus Equity Incentive Plan (the "2016 Plan"). Prior to the adoption of the 2016 Plan, awards of equity securities were made under the 2006 Long Term Incentive Plan.

Equity Compensation Plan Information

Plan Category	(a) Number of Securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted Average exercise price of outstanding options, warrants and rights (or fair value at date of grant)	(c) Number of securities remaining available for future issuances under equity compensation plans (excluding securities reflected in column (a))
Equity Compensation Plans Approved by Security Holders:			
Employee stock options	1,236,000	\$ 9.28	1,123,015

ITEM 6. RESERVED

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking and Cautionary Statements

You should read the following discussion in conjunction with the consolidated financial statements and the notes to those statements included elsewhere in this Annual Report on Form 10-K for the year ended September 30, 2024. This discussion contains certain statements that are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained in this Management's Discussion and Analysis are forward-looking statements that involve risks and uncertainties. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. The forward-looking statements are not historical facts, but rather are based on current expectations, estimates, assumptions and projections about our industry and business. Our actual results could differ materially from the results contemplated by these forward-looking statements.

Business Overview:

DLH Holdings Corp. ("DLH") delivers improved health and cyber readiness solutions for federal government customers through digital transformation, science research and development, and systems engineering and integration. We bring a unique combination of government sector experience, proven methodologies, and unwavering commitment to solve the complex problems faced by civilian and military customers alike, doing so by leveraging a robust capability set, including cyber technology, artificial intelligence, advanced analytics, cloud-based applications, and telehealth systems.

We derive 98% of our revenue from agencies of the Federal government, providing services to several agencies including the HHS, VA, DoD, and DHS. The following table summarizes the revenues by customer for the years ended September 30, 2024 and 2023, respectively (in thousands):

	2024		2023	
	Revenue	Percent of total revenue	Revenue	Percent of total revenue
Department of Health and Human Services	\$ 184,544	46.6 %	\$ 161,311	42.9 %
Department of Veterans Affairs	139,945	35.3 %	138,862	37.0 %
Department of Defense	64,128	16.2 %	70,325	18.7 %
Customers with less than 10% share of total revenue	7,320	1.9 %	5,374	1.4 %
Revenue	\$ 395,937	100.0 %	\$ 375,872	100.0 %

Forward Looking Business Trends:

Our mission is to expand our position as a trusted provider of technology-enabled healthcare and public health services, medical logistics, and readiness enhancement services to active duty personnel, veterans, and civilian populations and communities. Through our acquisition program, we have built a platform of technology-powered solutions to enable us to provide an array of innovative, high-value solutions in information technology, public health and digital transformation. We are focused on increasing organic growth across our addressable market and delivering robust cash flow. Our primary focus within the defense agency markets includes cyber security, military service members' and veterans' requirements for telehealth services, behavioral healthcare, medication therapy management, process management, clinical systems support, and healthcare delivery. Our primary focus within the civilian agency markets includes digital transformation, IT modernization, healthcare and social programs delivery and readiness. These include compliance monitoring on large scale programs, technology-enabled program management, consulting, and digital communications solutions ensuring that education, health, and social standards are being achieved within underserved and at-risk populations. We believe these business development priorities will position the Company to expand within top national priority programs and funded areas.

Federal budget outlook for fiscal year 2025:

While Congress has not completed the final appropriation bills for the government's 2025 fiscal year, the Company continues to believe that its key programs benefit from bipartisan support and does not expect a material impact on its current business

base from budget negotiations. If the appropriations bills are not timely enacted, government agencies operate under a continuing resolution ("CR"), which may negatively impact our business due to delays in new program starts, delays in contract award decisions, and other factors.

On September 26, 2024, the President signed a continuing resolution (CR, H.R. 9747). The CR extends fiscal year 2025 funding for all 12 annual spending bills, including the Defense, Labor, Health and Human Services, and Education bills, through December 20, 2024. When a CR expires, unless appropriations bills have been passed by Congress and signed by the President, or a new CR is passed and signed into law, the government must cease operations, or shutdown, except in certain emergency situations or when the law authorizes continued activity. We are monitoring impact the new Presidential Administration will have on government funding negotiations as their legislative and political priorities. We continuously review our operations in an attempt to identify programs potentially at risk from CRs so that we can consider appropriate contingency plans. Historically, our customers' missions have received bipartisan support from the legislative and executive branches of the federal government. However, we anticipate that the President-Elect and new Congress will seek to implement their budget priorities, which may impact our customers' projects and budgets.

Industry consolidation among federal government contractors:

There has been active consolidation and a strong increase in merger and acquisition activity among federal government contractors over the past few years that we expect to continue, fueled by public companies leveraging strong balance sheets. Companies often look to acquisitions that augment core capabilities, contracts, customers, market differentiators, stability, cost synergies, and higher margin and revenue streams.

Potential impact of federal contractual set-aside laws and regulations:

The Federal government has an overall goal of 23% of prime contracts flowing through small businesses. As previously reported, various agencies within the federal government have policies that support small business goals, including the adoption of the "Rule of Two" by the VA, which provides that the agency shall award contracts by restricting competition for the contract to service-disabled or other veteran-owned businesses. To restrict competition pursuant to this rule, the contracting officer must reasonably expect that at least two of these businesses, which are capable of delivering the services, will submit offers and that the award can be made at a fair and reasonable price that offers best value to the U.S. When two qualifying small businesses cannot be identified, the VA may proceed to award contracts following a full and open bid process.

The Company believes that its past performance in this market and track record of success provide a competitive advantage. However, the effect of set-aside provisions may limit our ability to compete for prime contractor positions on programs that we re-compete or that we have targeted for growth. In these cases, the Company may elect to join a team with an eligible contractor as prime for specific pursuits that align with our core markets and corporate growth strategy.

During the fiscal year ended September 30, 2024, we generated revenues of approximately \$140.0 million from our set of contracts in support of the VA's Consolidated Mail Outpatient Pharmacy ("CMOP") program. As previously reported, the VA has been soliciting proposals for new contracts covering this work with a preference for a Service-Disabled Veteran Owned Small Business, or SDVOSB, to perform as the prime contractor. During the 2024 fiscal year, the VA awarded one contract to a SDVOSB that was not affiliated with DLH. Should awards for the locations for which we have submitted a proposal be offered to a partner of DLH, we expect to continue to perform a significant amount of those contracts' volume of business as a subcontractor. While the acquisition process is being conducted, DLH continues to operate as the prime contractor for all CMOP locations other than the Chelmsford location. For more information concerning the status of this procurement effort, see *Item 1. Business – Major Contracts*.

Results of Operations

Fiscal Year Ended September 30, 2024 as Compared to Fiscal Year Ended September 30, 2023

The following table summarizes, for the years indicated, consolidated statements of operations data expressed (in thousands except for per share amounts, and as percentages of revenue):

	Year Ended September 30,					
	2024		2023		Change	
Revenue	\$ 395,937	100.0 %	\$ 375,872	100.0 %	\$ 20,065	
Cost of operations						
Contract costs	317,026	80.1 %	296,016	78.8 %	21,010	
General and administrative costs	36,959	9.3 %	37,795	10.1 %	(836)	
Impairment loss of long-lived asset	—	— %	7,673	2.0 %	(7,673)	
Corporate development costs	—	— %	1,735	0.5 %	(1,735)	
Depreciation and amortization	17,052	4.3 %	15,562	4.1 %	1,490	
Total operating costs	371,037	93.7 %	358,781	95.5 %	12,256	
Income from operations	24,900	6.3 %	17,091	4.5 %	7,809	
Interest expense	17,153	4.3 %	16,271	4.3 %	882	
Income before provision for income tax (benefit) expense	7,747	2.0 %	820	0.2 %	6,927	
Provision for income tax expense (benefit)	350	0.1 %	(641)	(0.2) %	991	
Net income	\$ 7,397	1.9 %	\$ 1,461	0.4 %	\$ 5,936	
Net income per share - basic	\$ 0.52		\$ 0.11		\$ 0.41	
Net income per share - diluted	\$ 0.51		\$ 0.10		\$ 0.41	

Revenue

For the year ended September 30, 2024 revenue was \$395.9 million, an increase of \$20.1 million or 5.3% over the prior year period. The increase in revenue is principally due to the December 2022 acquisition.

Cost of Operations

Contract costs primarily include the costs associated with providing services to our customers. These costs are generally comprised of direct labor and associated fringe benefit costs, subcontract cost, other direct costs, and the related management and infrastructure costs. For the year ended September 30, 2024, the contract costs increased as compared to the prior fiscal year by \$21.0 million to approximately \$317.0 million primarily due to the increase in revenue volume. Non-labor costs, which consist primarily of subcontract and other direct costs and inherently carry a lower margin, increased as a percentage of revenue in fiscal 2024 as compared to the prior fiscal year.

General and administrative costs are for employees and third parties not directly providing services to our customers, including but not limited to executive management, bid and proposal, accounting, and human resources. These costs decreased as compared to the prior fiscal year by \$0.8 million to approximately \$37.0 million as the company achieved operating leverage following the December 2022 acquisition.

In the 2023 fiscal year there were two costs that did not recur in fiscal 2024 which impacted the Company's operating income and net income. These costs consisted of an impairment loss of a long-lived asset of \$7.7 million and corporate development costs of \$1.7 million. The impairment charge resulted from the consolidation of under utilized real estate assets. The corporate development costs were incurred to complete the December 2022 acquisition and include legal counsel, financial due diligence, customer market analysis and representation and warranty insurance premiums.

For the year ended September 30, 2024, depreciation and amortization costs were \$0.6 million and \$16.5 million, respectively, as compared to \$0.8 million and \$14.8 million for the year ended September 30, 2023, respectively, an aggregate increase of \$1.5 million which is primary due to the December 2022 acquisition.

Interest Expense

Interest expense includes items such as interest expense and amortization of deferred financing costs on debt obligations. For the year ended September 30, 2024, interest expense was \$17.2 million compared to interest expense of \$16.3 million in the prior year, an increase of approximately \$0.9 million over the prior year period. The increase in interest expense was primarily due to the increase in debt associated with the December 2022 acquisition.

Provision for Income Taxes

Provision for Income taxes for the fiscal year ended September 30, 2024 was a tax expense of \$0.4 million, an increase of approximately \$1.0 million from the prior fiscal year. The increase was primarily due to the impairment of real estate assets in fiscal 2023 that did not impact fiscal 2024. The effective tax rate was a positive 4.5% for the fiscal year ending September 30, 2024 and a negative 72.2% for the fiscal year ending September 30, 2023.

Non-GAAP Financial Measures

The Company is presenting additional non-GAAP measures regarding its financial performance for years ended September 30, 2024 and 2023. The measures presented are Earnings Before Interest Taxes Depreciation and Amortization ("EBITDA"), and Adjusted EBITDA. In calculating Adjusted EBITDA, we have added the corporate development costs associated with completing the December 2022 acquisition to our results for fiscal year 2023 and removed the impairment loss on certain real estate assets. These resulting measures present the annual financial performance compared to results delivered in the prior year period. Definitions of these additional non-GAAP measures are set forth below.

We have prepared these additional non-GAAP measures to eliminate the impact of items that we do not consider indicative of ongoing operating performance due to their inherently unusual or extraordinary nature. These non-GAAP measures of performance are used by management to conduct and evaluate its business during its review of operating results for the periods presented. Management and the Company's Board utilize these non-GAAP measures to make decisions about the use of the Company's resources, analyze performance between periods, develop internal projections and measure management performance. We believe that these non-GAAP measures are useful to investors in evaluating the Company's ongoing operating and financial results and understanding how such results compare with the Company's historical performance.

These supplemental performance measurements may vary from and may not be comparable to similarly titled measures by other companies in our industry. EBITDA and Adjusted EBITDA are not recognized measurements under accounting principles generally accepted in the United States, or GAAP, and when analyzing our performance investors should (i) evaluate each adjustment in our reconciliation to the nearest GAAP financial measures and (ii) use the aforementioned non-GAAP measures in addition to, and not as an alternative to, revenue, operating income, or net income, as measures of operating results, each as defined under GAAP. We have defined these non-GAAP measures as follows:

"EBITDA" represents net income before income taxes, interest, depreciation and amortization.

"Adjusted EBITDA" represents net income before income taxes, interest, depreciation and amortization and the corporate costs associated with completing the acquisition and the impairment loss on the right of use asset.

Reconciliation of GAAP net income to EBITDA and Adjusted EBITDA, non-GAAP measures (in thousands):

	Year Ended September 30,		
	2024	2023	Change
Net income	\$ 7,397	\$ 1,461	\$ 5,936
Interest expense, net	\$ 17,153	\$ 16,271	882
Provision for income tax expense (benefit)	350	(641)	991
Depreciation and amortization	17,052	15,562	1,490
EBITDA	\$ 41,952	\$ 32,653	\$ 9,299
Impairment loss of long-lived asset (a)	—	7,673	(7,673)
Corporate development costs (b)	—	1,735	(1,735)
Adjusted EBITDA	\$ 41,952	\$ 42,061	\$ (109)

(a): Represents impairment loss of certain long-lived real estate assets associated with a reduction of the fair value of an asset prompted by a triggering event. During the fourth quarter of fiscal 2023, DLH reduced its leased office space requirement by consolidating underutilized premises as part of an ongoing facility rationalization effort, to accurately reflect the operational needs of the business. As a result, the Company has determined that its Right of Use Assets experienced a reduction in fair value below its associated carrying value and recorded a \$7.7 million loss of fair value.

(b): Represents corporate development costs we incurred to complete the December 2022 transaction. These costs primarily include legal counsel, financial due diligence, customer market analysis and representation and warranty insurance premiums.

Liquidity and Capital Management

Cash is approximately \$0.3 million and \$0.2 million for the period ended September 30, 2024 and 2023 respectively.

Credit facility availability was approximately \$32.5 million and \$32.0 million for the period ended September 30, 2024 and 2023, respectively.

A summary of the change in cash is presented below for the years ended September 30, 2024 and 2023 (in thousands):

	Year Ended September 30,	
	2024	2023
Net cash provided by operating activities	\$ 27,366	\$ 31,033
Net cash used in investing activities	(836)	(181,197)
Net cash (used in) provided by financing activities	(26,403)	150,151
Net change in cash	\$ 127	\$ (13)

Cash flows from operations totaled approximately \$27.4 million and \$31.0 million for the years ended September 30, 2024 and 2023, respectively. The decrease in cash from operations was principally due to a decrease in current liabilities, specifically lease liabilities.

We used \$0.8 million and \$181.2 million of cash in investing activities during fiscal years 2024 and 2023, respectively. The cash utilized was predominantly due capital expenditures and the December 2022 acquisition in fiscal years 2024 and 2023, respectively.

Cash used in financing activities during the fiscal year ended September 30, 2024 was approximately \$26.4 million and cash provided by financing activities during the fiscal year ended September 30, 2023 was \$150.2 million, respectively. The cash used in financial activities during the fiscal year ended September 30, 2024, was primarily due to the early repayment of principal on our secured term loan. The activity in the fiscal year ended September 30, 2023 was primarily due to finance the December 2022 acquisition.

Sources of Cash

As of September 30, 2024, our immediate sources of liquidity include cash of approximately \$0.3 million, accounts receivable, and access to our secured revolving line of credit. This credit facility provides us with access of up to \$32.5 million subject to certain conditions including eligible accounts receivable. As of September 30, 2024, we had unused borrowing capacity of \$18.1 million. The Company's present operating liabilities are largely predictable and consist of vendor and payroll related obligations. We believe that our current investment and financing obligations are adequately covered by cash generated from profitable operations and that planned operating cash flow should be sufficient to support our operations for twelve months from the date of issuance of these consolidated financial statements.

Credit Facilities

A summary of our credit facilities as of September 30, 2024 is as follows (in millions):

Lender	Arrangement	Loan Balance	Interest *	Maturity Date
First National Bank of Pennsylvania	Secured term loan (a)	\$ 142.5	SOFR1 + 4.1%	December 8, 2027
First National Bank of Pennsylvania	Secured revolving line of credit (b)	\$ 12.1	SOFR1 + 4.1%	December 8, 2027

¹Secured Overnight Financing Rate ("SOFR") as of September 30, 2024 was 5.2%.

On January 31, 2023, we executed an additional floating-to-fixed interest rate swap with FNB; the notional amount as of September 30, 2024 is \$80.0 million, it matures in January 2026, and the fixed rate is 4.1%. As a result of entering interest rate swap agreements, for the twelve months ended September 30, 2024, interest expense has been decreased by approximately \$1.3 million.

(a) Represents the principal amounts payable on our secured term loan, which is secured by liens on substantially all of the assets of the Company. The principal of the secured term loan is payable in quarterly installments with the remaining balance due on December 8, 2027.

(b) As of September 30, 2024 the secured revolving line of credit had a borrowing base of \$32.5 million. The Company accessed funds from the secured revolving line of credit during the year, and had \$12.1 million outstanding balance at September 30, 2024.

The secured term loan and secured revolving line of credit are secured by liens on substantially all of the assets of the Company. The provisions of the secured term loan and secured revolving line of credit, including financial covenants, as amended, are fully described in [Note 8](#) to the consolidated financial statements.

Contractual Obligations as of September 30, 2024

(Amounts in thousands)	Total	Payments Due By Period			
		Next 12 Months	2-3 Years	4-5 Years	More than 5 Years
Debt obligations	\$ 154,558	\$ 12,058	\$ 42,750	\$ 99,750	\$ —
Facility operating leases	18,538	3,536	6,011	5,203	3,788
Contractual obligations	\$ 173,096	\$ 15,594	\$ 48,761	\$ 104,953	\$ 3,788

Critical Accounting Policies and Estimates**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of goodwill and intangible assets, and stock-based compensation. In addition, the Company estimates overhead charges and allocates such charges throughout the year. Actual results could differ from those estimates.

Revenue Recognition

We recognize revenue over time when there is a continuous transfer of control to our customer. For our U.S. government contracts, this continuous transfer of control to the customer is supported by clauses in the contract that allow the U.S. government to unilaterally terminate the contract for convenience, pay us for costs incurred plus a reasonable profit and take control of any work in process. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. For service contracts, we satisfy our performance obligations as services are rendered. We use cost-based input and time-based output methods to measure progress.

For time-and-materials contracts, revenue is recognized to the extent of billable rates times hours delivered plus materials and other reimbursable costs incurred. Revenue for cost-reimbursable contracts is recorded as reimbursable costs are incurred, including an estimated share of the applicable contractual fees earned. For firm-fixed-price contracts, the consideration received for our performance is set at a predetermined price. Revenue for our firm-fixed-price contracts is recognized over time using a straight-line measure of progress. Contract costs are expensed as incurred. Estimated losses are recognized when identified.

Refer to [Note 5](#) of the accompanying notes to our consolidated financial statements contained elsewhere in this Annual Report on Form 10-K for discussion relative to the Company's revenue recognition in accordance with ASC-606.

Long-lived Assets

Our long-lived assets include equipment and improvements, right-of-use assets, intangible assets, and goodwill. The Company continues to review its long-lived assets for possible impairment or loss of value at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

Equipment and improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful asset lives (3 years to 7 years) and the shorter of the initial lease term or estimated useful life for leasehold improvements.

Costs incurred to place the asset in service are capitalized and costs incurred after implementation are expensed. Amortization expense is recorded when the software is placed in service on a straight-line basis over the estimated useful life of the software.

Right-of-use assets are measured at the present value of future minimum lease payments, including all probable renewals, plus lease payments made to the lessor before or at lease commencement and indirect costs, less incentives received. Our right-of-use assets include long-term leases for facilities and equipment and are amortized over their respective lease terms.

Intangible assets are originally recorded at fair value and amortized on a straight-line basis over their assessed useful lives. The assessed useful lives of the assets are 10 years.

Goodwill

The Company continues to review its goodwill for possible impairment or loss of value at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value. At September 30, 2024, we performed an internal goodwill impairment evaluation with a qualitative assessment of factors to determine whether it was necessary to perform the goodwill impairment test. Based on the results of the work performed, the Company has concluded that no impairment loss was warranted at September 30, 2024, as no change in business conditions occurred which would have a material adverse effect on the valuation of goodwill.

Provision for Income Taxes

The Company accounts for income taxes in accordance with the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the consolidated balance sheet when it is determined that it is more likely than not that the asset will be realized. This guidance also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax assets will not be realized.

Stock-based Equity Compensation

The Company uses the fair value-based method for stock-based equity compensation. Options issued are designated as either an incentive stock or a non-statutory stock option. No option may be granted with a term of more than 10 years from the date of grant. Option awards may depend on the achievement of certain performance measures determined by the Compensation Committee of our Board. Shares issued upon option exercise are newly issued common shares. All awards to employees and non-employees are recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses a Monte Carlo method to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

New Accounting Pronouncements

A discussion of recently issued accounting pronouncements is described in [Note 3](#) of the accompanying notes to our consolidated financial statements contained elsewhere in this Annual Report, and we incorporate such discussion by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Except as described elsewhere in this report, the Company has not engaged in trading practices in securities or other financial instruments and therefore does not have any material exposure to interest rate risk, foreign currency exchange rate risk, commodity price risk or other similar risks, which might otherwise result from such practices. The Company has limited foreign operations and therefore is not materially subject to fluctuations in foreign exchange rates, commodity prices or other market rates or prices from market sensitive instruments. On January 31, 2023, we executed a floating-to-fixed interest rate swap with FNB; the notional amount as of September 30, 2024 is \$80.0 million, it matures in January 31, 2026, and the fixed rate is 4.10%. The total floating-to-fixed swap balance as of September 30, 2024 is \$80.0 million. If interest rates rise due to inflation-related pressures in the economy, we expect to continue to use interest rate swaps to mitigate our cash risk of rising rates.

We have determined that a 1.0% increase to SOFR would impact our interest expense by approximately \$0.7 million per year. As of September 30, 2024, the interest rate on the floating interest rate debt was 9.30%.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

Consolidated Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
DLH Holdings Corp.:

Opinion on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of DLH Holdings Corp. and Subsidiaries (the "Company") as of September 30, 2024 and 2023, the related consolidated statements of operations, cash flows, and changes in shareholders' equity for each of the years in the two-year period ended September 30, 2024, and the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of September 30, 2024, based on the criteria established in 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of September 30, 2024 and 2023, and the results of their operations and their cash flows for each of the years in the two-year period ended September 30, 2024, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024, based on criteria established in 2013 Internal Control—Integrated Framework issued by COSO.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that responds to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue Recognition

Critical Audit Matter Description

As described in Note 4 to the consolidated financial statements, the Company's consolidated revenues for the year ended September 30, 2024 were \$395.9 million. As described in Note 1 to the consolidated financial statements, the Company generally recognizes revenue over time as services are provided, as most of its contracts involve a continuous transfer of control to the customer. The Company accounts for a contract when there is a commitment by both parties (customer and Company), payment terms are determinable, there is commercial substance, and collectability is probable. When control is transferred over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The Company satisfies performance obligations as services are rendered. For time-and-materials contracts, revenue is recognized to the extent of billable rates times hours delivered plus materials and other reimbursable costs incurred. Revenue for cost-reimbursable contracts is recorded as reimbursable costs are incurred, including an estimated share of the applicable contractual fees earned. For firm-fixed-price contracts, the consideration received for performance is set at a predetermined price. Generally, the Company's firm fixed price contracts are a fixed fee for monthly services and therefore recognized using a straight-line method for recognition as progress is made towards the completion of the performance obligations. Contract modifications are reviewed to determine whether they should be accounted for as part of the original performance obligation or as a separate contract. Contract modifications can occur throughout the life of the contract and can affect the transaction price, extend the period of performance, adjust funding, or create new performance obligations. Contract modifications impact performance obligations when the modification either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue and profit cumulatively. Amounts are invoiced as work progresses in accordance with agreed-upon contractual terms. In part, revenue recognition occurs before the Company has the right to bill, resulting in contract assets. These contract assets are reported within Accounts receivable, net on the consolidated balance sheets and are invoiced in accordance with payment terms defined in each contract. Period end balances will vary from period to period due to agreed-upon contractual terms.

The principal consideration for our determination that performing procedures relating to revenue recognized over time is a critical audit matter is a high degree of auditor effort in performing procedures related to the Company's revenue recognition, including testing of contract assets.

Response:

The following are the primary procedures we performed to address this critical audit matter. To test the recognition of revenue, our audit procedures included among others, the testing of internal controls over the proper accumulation of labor costs by contract. This testing covered the review and approval of timesheets, the review and approval of vendor invoices, the processing of the labor hours utilized in the sales invoices, the review and approval of sales invoices, the review and approval of sales contracts, and the review and approval of project setup in the general ledger system for the related revenue contracts. Our control testing on contracts focused on inspecting the key provisions and deliverables within customer contracts. We evaluated management's application of their revenue recognition policies in the determination of revenue recognition conclusions. We selected a sample of revenue transactions and performed the following procedures: for time and material contracts, we examined the recorded timesheet data related to the selected invoices, which corroborated management's assessment towards the completion of the performance obligation; and we inspected the signed contract related to the selected invoice, noting each task has an agreed upon unit price per contract and the unit price matched what was shown on the invoice. For cost reimbursable contracts, we examined the recorded timesheet data related to the selected invoices, which corroborated

management's assessment towards the completion of the performance obligation; and we inspected the signed contract related to the selected invoice, noting each task has an agreed upon unit price per contract and the unit price matched what was shown on the invoice. We also inspected the supporting evidence for any non-labor costs that are included in the transaction price. For firm fixed price contracts, we examined the recorded timesheet data related to the selected invoices, which corroborated management's assessment towards the completion of the performance obligation; and we inspected the signed contract related to the selected invoice, noting the period of performance was within the period of performance in the contract. We also tested for proper revenue recognition cut off in relation to revenue in which recognition occurred before the Company had a right to bill. To test the contract assets, we selected a sample of balances and reviewed the signed contract, timesheet data related to the contract assets, and invoices billed subsequent to year-end that related to the contract assets that existed as of September 30, 2024.

/s/ WithumSmith+Brown, PC

We have served as the Company's auditor since 2007.

East Brunswick, New Jersey
December 4, 2024
PCAOB ID Number 100

DLH HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands except per share amounts)

	Year Ended September 30,	
	2024	2023
Revenue	\$ 395,937	\$ 375,872
Cost of Operations		
Contract costs	317,026	296,016
General and administrative costs	36,959	37,795
Impairment loss of long-lived asset	—	7,673
Corporate development costs	—	1,735
Depreciation and amortization	17,052	15,562
Total operating costs	371,037	358,781
Income from operations	24,900	17,091
Interest expense	17,153	16,271
Income before provision for income taxes	7,747	820
Provision for income tax expense (benefit)	350	(641)
Net income	\$ 7,397	\$ 1,461
Net income per share - basic	\$ 0.52	\$ 0.11
Net income per share - diluted	\$ 0.51	\$ 0.10
Weighted average common shares outstanding		
Basic	14,169	13,704
Diluted	14,405	14,431

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

DLH HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands except par value of shares)

	September 30, 2024	September 30, 2023
ASSETS		
Current assets:		
Cash	\$ 342	\$ 215
Accounts receivable	49,849	59,119
Other current assets	2,766	3,067
Total current assets	52,957	62,401
Goodwill	138,161	138,161
Intangible assets, net	108,321	124,777
Operating lease right-of-use assets	6,681	9,656
Deferred taxes, net	6,245	3,070
Equipment and improvements, net	1,830	1,590
Other long-term assets	186	186
Total assets	\$ 314,381	\$ 339,841
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 25,290	\$ 29,704
Accrued payroll	12,848	13,794
Debt obligations - current, net of deferred financing costs	12,058	17,188
Operating lease liabilities - current	2,652	3,463
Other current liabilities	394	638
Total current liabilities	53,242	64,787
Long-term liabilities:		
Debt obligations - long-term, net of deferred financing costs	137,316	155,147
Operating lease liabilities - long-term	12,789	15,908
Other long-term liabilities	902	1,560
Total long-term liabilities	151,007	172,615
Total liabilities	204,249	237,402
Shareholders' equity:		
Common stock, \$0.001 par value; authorized 40,000 shares; issued and outstanding 14,391 and 13,950 at September 30, 2024 and 2023, respectively	14	14
Additional paid-in capital	100,270	99,974
Retained earnings	9,848	2,451
Total shareholders' equity	110,132	102,439
Total liabilities and shareholders' equity	\$ 314,381	\$ 339,841

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

DLH HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year Ended September 30,	
	2024	2023
Operating activities		
Net income	\$ 7,397	\$ 1,461
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,052	15,562
Amortization of deferred financing costs charged to interest expense	1,839	2,182
Stock-based compensation expense	1,898	1,922
Deferred taxes, net	(3,175)	(4,604)
Impairment loss of long-lived asset	—	7,673
Changes in operating assets and liabilities		
Accounts receivable	9,270	6,845
Other assets	3,276	1,757
Accrued payroll	(946)	(3,477)
Accounts payable and accrued liabilities	(4,414)	(75)
Other liabilities	(4,831)	1,787
Net cash provided by operating activities	27,366	31,033
Investing activities		
Business acquisition, net of cash acquired	—	(180,572)
Purchase of equipment and improvements	(836)	(625)
Net cash used in investing activities	(836)	(181,197)
Financing activities		
Proceeds from revolving line of credit	361,720	205,268
Repayment of revolving line of credit	(359,208)	(195,721)
Proceeds from debt obligations	—	168,000
Repayments of debt obligations	(27,313)	(20,188)
Payments of deferred financing costs	—	(7,666)
Proceeds from issuance of common stock upon exercise of options and warrants	261	1,108
Payment of tax obligations resulting from net exercise of stock options	(1,863)	(650)
Net cash (used in) provided by financing activities	(26,403)	150,151
Net change in cash	127	(13)
Cash - beginning of year	215	228
Cash - end of year	\$ 342	\$ 215
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 16,043	\$ 14,153
Cash paid during the year for income taxes	\$ 3,264	\$ 5,604
Supplemental disclosures of non-cash activity		
Common stock surrendered for the exercise of stock options	\$ 2,822	\$ 238

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

DLH HOLDINGS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended September 30, 2024 and 2023
(Amounts in thousands)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance at September 30, 2023	13,950	\$ 14	\$ 99,974	\$ 2,451	\$ 102,439
Expense related to director restricted stock units	—	—	618	—	618
Expense related to employee stock-based compensation	—	—	1,280	—	1,280
Stock issued for director restricted stock units	62	—	—	—	—
Exercise of stock options	760	—	261	—	261
Common stock surrendered for the exercise of stock options	(381)	—	(1,863)	—	(1,863)
Net income	—	—	—	7,397	7,397
Balance at September 30, 2024	14,391	\$ 14	\$ 100,270	\$ 9,848	\$ 110,132

	Common Stock		Additional Paid-In Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount			
Balance at September 30, 2022	13,047	\$ 13	\$ 91,057	\$ 990	\$ 92,060
Issuance and fair value adjustment of common stock in business combination	527	1	6,538	—	6,539
Expense related to director restricted stock units	—	—	718	—	718
Expense related to employee stock options	—	—	1,204	—	1,204
Stock issued for director restricted stock units	50	—	—	—	—
Exercise of stock options	393	—	1,107	—	1,107
Common stock surrendered for the exercise of stock options	(67)	—	(650)	—	(650)
Net income	—	—	—	1,461	1,461
Balance at September 30, 2023	13,950	\$ 14	\$ 99,974	\$ 2,451	\$ 102,439

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

DLH HOLDINGS CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of DLH Holdings Corp. and its wholly-owned subsidiaries (together with its subsidiaries, "DLH" or the "Company" and also referred to as "we," "us" and "our"). All significant intercompany balances and transactions have been eliminated in consolidation. The accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Regulation S-X. Accordingly, these statements do not include all of the information and footnotes required by GAAP for complete financial statements.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant of these estimates and assumptions relate to costs including valuing and determining the amortization periods for long-lived intangible assets, interest rate swaps, stock-based compensation, right-of-use assets and leases liabilities, and loss development on workers' compensation claims. We evaluate these estimates and judgments on an ongoing basis and base our estimates on historical experience, current and expected future outcomes, third-party evaluations, and various other assumptions that we believe are reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets and liabilities as well as identifying and assessing the accounting treatment with respect to commitments and contingencies. We revise material accounting estimates if changes occur, such as more experience is acquired, additional information is obtained, or there is new information on which an estimate was or can be based. Actual results could differ from those estimates.

Revenue

The Company's revenues from contracts with customers are derived from offerings that include technology-enabled business process outsourcing, program management solutions, and public health research and analytics, substantially within the U.S. government and its agencies. The Company has various types of contracts including time-and-materials contracts, cost-reimbursable contracts, and firm-fixed-price contracts.

We consider a contract with a customer to exist when there is a commitment by both parties (customer and Company), payment terms are determinable, there is commercial substance, and collectability is probably in accordance with Accounting Standards Codification ("ASC") No. 606, "Revenue from Contracts with Customers" ("Topic 606").

We recognize revenue over time when there is a continuous transfer of control to our customer as performance obligations are satisfied. For our U.S. government contracts, this continuous transfer of control to the customer is transferred over time and revenue is recognized based on the extent of progress toward completion of the performance obligation. We consider control to transfer when we have a right to payment. In some instances, the Company commences providing services prior to formal approval to begin work from the customer. The Company considers these factors, the risks associated with commencing work, and legal enforceability in determining whether a contract exists under Topic 606.

Contract modification can occur throughout the life of the contract and can affect the transaction price, extend the period of performance, adjust funding, or create new performance obligations. We review each modification to assess the impact of these contract changes to determine if it should be treated as part of the original performance obligation or as a separate contract. Contract modifications impact performance obligations when the modification either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue and profit cumulatively. Furthermore, a significant change in one or more estimates could affect the profitability of our contracts. We recognize adjustments in estimated profit on contracts in the period identified.

For service contracts, we satisfy our performance obligations as services are rendered. We use cost-based input and time-based output methods to measure progress based on the contract type.

- *Time and material* - We bill the customer per labor hour and per material, and revenue is recognized in the amount invoiced as the amount corresponds directly to the value of our performance to date. Revenue is recognized to the extent of billable rates times hours delivered plus materials and other reimbursable costs incurred.
- *Cost reimbursable* - We record reimbursable costs as incurred, including an estimated share of the contractual fee earned.
- *Firm fixed price* - We recognize revenue over time using a straight-line measure of progress.

Contract costs generally include direct costs such as labor, materials, subcontract costs, and indirect costs identifiable with or allocable to a specific contract. Costs are expensed as incurred and include an estimate of the contractual fees earned.

Contract assets - Amounts are invoiced as work progresses in accordance with agreed-upon contractual terms. In part, revenue recognition occurs before we have the right to bill, resulting in contract assets. These contract assets are reported within Accounts receivable, net on our consolidated balance sheets and are invoiced in accordance with payment terms defined in each contract. Period end balances will vary from period to period due to agreed-upon contractual terms.

Contract liabilities - Amounts are a result of billings in excess of costs incurred or prepayment for services to be rendered.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable, contract assets, contract liabilities, accrued expenses, and accounts payable approximate fair value due to the short-term nature of these instruments. The fair values of the Company's debt instruments approximate fair value because the underlying interest rates approximate market rates that the Company could obtain for similar instruments at the balance sheet dates.

Long-lived Assets

Our long-lived assets include equipment and improvements, intangible assets, right-of-use assets, and goodwill. The Company reviews its long-lived assets for possible impairment or loss of value at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value.

Equipment and improvements are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful asset lives (3 to 7 years) and the shorter of the initial lease term or estimated useful life for leasehold improvements. Maintenance and repair costs are expensed as incurred. Intangible assets (other than goodwill) are originally recorded at fair value and are amortized on a straight-line basis over their estimated useful lives of 10 years.

Right-of-use assets are measured at the present value of future minimum lease payments, including all probable renewals, plus lease payments made to the lessor before or at lease commencement and indirect costs paid, less incentives received. Our right-of-use assets include long-term leases for facilities and equipment and are amortized over their respective lease terms.

Lease Liabilities

The Company has leases for facilities and office equipment. Our lease liabilities are recognized as the present value of the future minimum lease payments over the lease term. Our lease payments consist of fixed and in-substance fixed amounts attributable to the use of the underlying asset over the lease term. Variable lease payments that do not depend on an index rate or are not in-substance fixed payments are excluded in the measurement of right-of-use assets and lease liabilities and are expensed in the period incurred. The incremental borrowing rate on our secured term loan is used in determining the present value of future minimum lease payments. Some of our lease agreements include options to extend the lease term or terminate the lease. These options are accounted for in our right-of-use assets and lease liabilities when it is reasonably certain that the Company will extend the lease term or terminate the lease. The Company does not have any finance leases. As of September 30, 2024, operating leases for facilities and equipment have remaining lease terms of less than 1 year to 6.5 years.

Goodwill

The Company performs impairment evaluation at least annually and between annual tests whenever there is an indication of impairment. We performed a qualitative assessment of factors to determine whether it was necessary to perform the goodwill impairment test. Based on the results of the work performed, the Company has concluded that no impairment loss was warranted at September 30, 2024, as no change in business conditions occurred which would have a material adverse effect on the valuation of goodwill. Notwithstanding this evaluation, factors including non-renewal of a major contract or other substantial changes in business conditions could have a material adverse effect on the valuation of goodwill in future periods and the resulting charge could be material to future periods' results of operations. Similarly, there were no impairments during the prior year ended September 30, 2023.

Income Taxes

The Company accounts for income taxes in accordance with the asset and liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are reflected on the consolidated balance sheet when it is determined that it is more likely than not that the asset will be realized. This guidance also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some or all of the deferred tax assets will not be realized. We account for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon the technical merits, it is more-likely-than-not that the position will be sustained upon examination. We had no uncertain tax positions at either September 30, 2024 and 2023. We report interest and penalties as a component of provision for income taxes. For the years ended September 30, 2024 and 2023, we recognized no interest and no penalties related to income taxes.

Stock-based Compensation

The Company uses the fair value-based method for stock-based equity compensation. Options issued are designated as either an incentive stock or a non-statutory stock option. No option may be granted with a term of more than 10 years from the date of grant. Option awards may depend on the achievement of certain performance measures determined by the Compensation Committee of our Board. Shares issued upon option exercise are newly issued common shares. All awards to employees and non-employees are recorded at fair value on the date of the grant and expensed over the period of vesting. The Company uses the Monte Carlo method to estimate the fair value of each stock option at the date of grant. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Stock-based Compensation expense for the portion of equity awards for which the requisite service has not been rendered is recognized as the requisite service is rendered. The stock-based compensation expense for that portion of awards has been based on the grant-date fair value of those awards as calculated for recognition purposes under applicable guidance. For options that vest based on the Company's common stock achieving and maintaining defined market prices, the Company values the awards with a Monte Carlo method that utilizes various probability factors and other criterion in establishing fair value of the grant. The related stock-based compensation expense is recognized over the service period. Stock based compensation is reliant on continued employment with the Company. These arrangements are forfeited upon employee separation and accounted for as they occur.

Cash

We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. We maintain cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. Deposits held with financial institutions may exceed the \$250,000 limit.

Accounts Receivable

Receivables include amounts billed and currently due from customers where the right to consideration is unconditional and amounts unbilled. Both billed and unbilled amounts are non-interest bearing, unsecured, and recognized at an estimated realizable value that includes costs and fees, and are generally expected to be billed and received within a single year. We evaluate our receivables for expected credit losses on a quarterly basis and determine whether an allowance for expected credit losses is appropriate based on specific collection issues. No allowance for doubtful accounts was deemed necessary at either September 30, 2024 or September 30, 2023.

Earnings Per Share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common stock outstanding and restricted stock grants that vested or are likely to vest during the period. Diluted earnings per share is calculated by dividing income available to common shareholders by the weighted average number of basic common shares outstanding, adjusted to reflect potentially dilutive securities. Diluted earnings per share is calculated using the treasury stock method.

Treasury Stock

The Company periodically purchases its own common stock that is traded on public markets as part of announced stock repurchase programs. The repurchased common stock is classified as treasury stock on the consolidated balance sheets and held at cost. As of September 30, 2024 and 2023, the Company did not hold any treasury stock.

Preferred Stock

Our certificate of incorporation authorizes the issuance of "blank check" preferred stock with such designations, rights and preferences as may be determined from time to time by our board of directors up to an aggregate of 5,000,000 shares of preferred stock. As of September 30, 2024 and 2023, the Company has not issued any preferred stock.

Interest Rate Swap

The Company uses derivative financial instruments to manage interest rate risk associated with its variable debt. The Company's objective in using these interest rate derivatives is to manage its exposure to interest rate movements and reduce volatility of interest expense. The gains and losses due to changes in the fair value of the interest rate swap agreements completely offset changes in the fair value of the hedged portion of the underlying debt. Offsetting changes in fair value of both the interest rate swaps and the hedged portion of the underlying debt are recognized in interest expense in the consolidated statements of operations. The Company does not hold or issue any derivative instruments for trading or speculative purposes.

Risks and Uncertainties

Management evaluates the impact of global markets and economic factors on our industry and the potential for adverse effects on the Company's consolidated financial position and its operations. As of September 30, 2024, there was no indication of any global or economic impacts to our industry.

3. New Accounting Pronouncements

In November 2023, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" which provides guidance intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses, and each reported measure of segment profit or loss. The ASU requires that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this ASU and all existing segment disclosures in Topic 280. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2023 and interim periods beginning after December 15, 2024. We are currently evaluating the impacts of the single reportable segment disclosures.

In December 2023, FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" which provides guidance on the requirements such as the requirement that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. DLH is a public company that reports income tax disclosures and therefore this ASU applies to the Company. ASU 2023-09 is effective for public business entities for fiscal years beginning after Dec. 15, 2024. We are currently evaluating the impacts of the improvements to income tax disclosure.

In March 2024, FASB issued ASU No. 2024-01, "Scope Application of Profits Interest and Similar Awards". The ASU clarifies how an entity determines whether a profits interest or similar award is (1) within the scope of ASC 718 or (2) not a share-based payment arrangement and therefore within the scope of other guidance. The guidance in ASU 2024-01 applies to all entities that issue profits interest awards as compensation to employees or non-employees in exchange for goods or services. We are currently evaluating the impacts of the improvements to our disclosure.

In March 2024, the Securities and Exchange Commission ("SEC") has released a final rule that requires registrants to provide comprehensive climate-related disclosures in their annual reports and registration statements, including those for IPOs, beginning with annual reports for the year ending December 31, 2027, for smaller reporting companies ("SRC"). Registrants must disclose climate-related financial metrics and impacts on their financial estimates and assumptions in a footnote to the audited financial statements. The disclosures will also need to be addressed as part of management's internal control over financial reporting ("ICFR") and will be subject to the financial statement and ICFR audit (if applicable) of an independent registered public accounting firm. We are currently evaluating the impacts of the improvements to our disclosure.

4. Revenue Recognition

The following table summarizes the contract balances recognized in accounts receivable within the Company's consolidated balance sheets at September 30, 2024 and 2023 (in thousands):

	2024	2023
Contract assets	\$ 23,945	\$ 20,542

The change from prior period is primarily due to invoice timing and increased revenue volume.

Disaggregation of revenue from contracts with customers

We disaggregate our revenue from contracts with customers by customer, contract type, as well as whether the Company acts as prime contractor or subcontractor. We believe these categories best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. The following series of tables presents our revenue disaggregated by these categories:

Revenue by customer for the years ended September 30, 2024 and 2023 (in thousands):

	2024	2023
Department of Health and Human Services	\$ 184,544	\$ 161,311
Department of Veterans Affairs	139,945	138,862
Department of Defense	64,128	70,325
Other	7,320	5,374
Revenue	\$ 395,937	\$ 375,872

Revenue by contract type for the years ended September 30, 2024 and 2023 (in thousands):

	2024	2023
Time and Materials	\$ 215,341	\$ 209,951
Cost Reimbursable	79,481	81,797
Firm Fixed Price	101,115	84,124
Revenue	\$ 395,937	\$ 375,872

Revenue by whether the Company acts as a prime contractor or a subcontractor for the years ended September 30, 2024 and 2023 (in thousands):

	2024	2023
Prime Contractor	\$ 355,147	\$ 356,792
Subcontractor	40,790	19,080
Revenue	\$ 395,937	\$ 375,872

5. Leases

The following table summarizes lease balances presented on our consolidated balance sheets at September 30, 2024 and 2023 (in thousands):

	2024	2023
Operating lease right-of-use assets	\$ 6,681	\$ 9,656
Operating lease liabilities, current	\$ 2,652	\$ 3,463
Operating lease liabilities, long-term	12,789	15,908
Operating lease liabilities	\$ 15,441	\$ 19,371

For the years ended September 30, 2024 and 2023, total lease costs for our operating leases are as follows (in thousands):

	2024	2023
Operating	\$ 3,841	\$ 3,911
Short-term	290	287
Variable	92	95
Sublease income (a)	(269)	(282)
Lease costs	\$ 3,954	\$ 4,011

(a): The Company subleases a portion of one of its leased facilities. The sublease is classified as an operating lease with respect to the underlying asset. The sublease term is 5 years and includes two additional 1-year term extension options.

The Company's future minimum lease payments as of September 30, 2024 are as follows (in thousands):

Fiscal year ending:		
2025	\$	3,536
2026		3,305
2027		2,706
2028		2,557
2029		2,646
Thereafter		3,788
Total future minimum lease payments		18,538
Less: imputed interest		(3,097)
Present value of future minimum lease payments		15,441
Less: current portion of operating lease liabilities		(2,652)
Long-term operating lease liabilities	\$	12,789

At September 30, 2024, the weighted-average remaining lease term and weighted-average discount rate are 5.8 years and 6.3%, respectively. The calculation of the weighted-average discount rate was determined based on borrowing terms from our secured term loan.

Other information related to our leases is as follows for the years ending September 30, 2024 and 2023 (in thousands):

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities	\$ 4,572	\$ 4,468
New lease liabilities, net of new right-of-use-assets	—	120
Other lease information	\$ 4,572	\$ 4,588

6. Supporting Financial Information

Accounts receivable

The following table summarizes accounts receivable presented on our consolidated balance sheets at September 30, 2024 and 2023 (in thousands):

	2024	2023
Billed receivables	\$ 25,904	\$ 38,577
Contract assets	23,945	20,542
Accounts receivable	\$ 49,849	\$ 59,119

Other current assets

The following table summarizes other current assets presented on our consolidated balance sheets at September 30, 2024 and 2023 (in thousands):

	2024	2023
Prepaid licenses and other expenses	\$ 1,315	\$ 1,330
Prepaid insurance and benefits	545	743
Other receivables	906	994
Other current assets	\$ 2,766	\$ 3,067

Goodwill

The balance of goodwill was \$138,161 as of September 30, 2024 and September 30, 2023.

Intangible assets, net

The following table summarizes intangible assets, net presented on our consolidated balance sheets at September 30, 2024 and 2023 (in thousands):

	2024	2023
Intangible assets		
Customer contracts and related customer relationships	\$ 113,622	\$ 113,622
Backlog	37,249	37,249
Trade names	13,034	13,034
Covenants-not-to-compete	637	637
Total intangible assets	\$ 164,542	\$ 164,542
Less accumulated amortization:		
Customer contracts and related customer relationships	(41,297)	(29,929)
Backlog	(10,994)	(7,273)
Trade names	(3,488)	(2,185)
Covenants-not-to-compete	(442)	(378)
Total accumulated amortization	\$ (56,221)	\$ (39,765)
Intangible assets, net	\$ 108,321	\$ 124,777

Amortization expense for the years ended September 30, 2024 and 2023 was \$16.5 million and \$14.8 million, respectively.

As of September 30, 2024, the estimated annual amortization expense is as follows (in thousands):

For the Fiscal Year Ending September 30,

2025	\$	16,456
2026		15,722
2027		14,694
2028		14,694
2029		13,734
Thereafter		33,021
Total amortization expense	\$	108,321

At September 30, 2024, the weighted-average remaining amortization period in total was 7.4 years years At September 30, 2024, the weighted-average amortization period for customer contracts and related customer relationships, backlog, trade names and covenants-not-to-compete was 7.3 years, 7.6 years, 7.7 years, 5.5 years respectively.

Equipment and improvements, net

The following table summarizes equipment and improvements, net presented on our consolidated balance sheets at September 30, 2024 and 2023 (in thousands):

	2024	2023
Furniture and equipment	\$ 1,832	\$ 1,790
Computer equipment and software	7,273	6,479
Leasehold improvements	1,614	1,614
Total equipment and improvements	10,719	9,883
Less: accumulated depreciation and amortization	(8,889)	(8,293)
Equipment and improvements, net	\$ 1,830	\$ 1,590

Depreciation expense was \$0.6 million and \$0.8 million for the years ended September 30, 2024 and 2023, respectively.

Accounts payable and accrued liabilities

The following table summarizes accounts payable and accrued liabilities presented on our consolidated balance sheets at September 30, 2024 and 2023 (in thousands):

	2024	2023
Accounts payable	\$ 13,421	\$ 12,603
Accrued benefits	4,519	6,414
Accrued bonus and incentive compensation	3,641	4,719
Accrued workers' compensation insurance	1,528	2,369
Accrued interest	619	1,309
Other accrued expenses	1,562	2,290
Accounts payable and accrued liabilities	\$ 25,290	\$ 29,704

Accrued payroll

The following table summarizes accrued payroll presented on our consolidated balance sheets at September 30, 2024 and 2023 (in thousands):

	2024	2023
Accrued leave	\$ 8,569	\$ 9,621
Accrued payroll	3,070	2,487
Accrued payroll taxes	981	1,173
Accrued severance	228	513
Accrued payroll	\$ 12,848	\$ 13,794

Debt obligations

The following table summarizes debt obligations presented on our consolidated balance sheets at September 30, 2024 and 2023 (in thousands):

	2024	2023
Secured term loan	\$ 142,500	\$ 169,813
Secured revolving line of credit	12,058	9,546
Less: unamortized deferred financing costs	(5,184)	(7,024)
Net bank debt obligations	149,374	172,335
Less: current portion of debt obligations, net of deferred financing costs (a)	(12,058)	(17,188)
Long-term portion of debt obligations, net of deferred financing costs	\$ 137,316	\$ 155,147

As of September 30, 2024, we have satisfied mandatory principal payments on our secured term loan.

(a) As of September 30, 2024, the current portion comprises the \$12.1 million outstanding balance on the secured revolving line of credit. All fiscal 2025 mandatory loan amortization payments have been satisfied by voluntary prepayments.

Interest expense

The following table summarizes interest expense presented on our consolidated statements of operations for the years ended September 30, 2024 and 2023 (in thousands):

	2024	2023
Interest expense (a)	\$ 15,352	\$ 14,153
Interest income (b)	(38)	(64)
Amortization of deferred financing costs (c)	1,839	2,182
Interest expense	\$ 17,153	\$ 16,271

(a): Interest expense on borrowing

(b): Interest earned from customer payments received after the due date.

(c): Amortization of expenses related to secured term loan and secured revolving line of credit.

7. Credit Facilities

A summary of our credit facilities as presented on our consolidated balance sheets as follows (in millions):

Arrangement	September 30, 2024		Arrangement	September 30, 2023	
	Loan Balance	Interest		Loan Balance	Interest
Secured term loan (a) due December 8, 2027	\$ 142.5	SOFR ¹ + 4.1%	Secured term loan (a) due December 8, 2027	\$ 169.8	SOFR ¹ + 4.1%
Secured revolving line of credit (b) due December 8, 2027	\$ 12.1	SOFR ¹ + 4.1%	Secured revolving line of credit (b) due December 8, 2027	\$ 9.5	SOFR ¹ + 4.1%

¹Secured Overnight Financing Rate ("SOFR") as of September 30, 2024 and September 30, 2023 was 5.2% and 5.3%, respectively.

(a) Represents the principal amounts payable on our term loan, which is secured by liens on substantially all of the assets of the Company. The principal of the term loan is payable in quarterly installments with the remaining balance due on December 8, 2027.

On January 31, 2023, we executed a floating-to-fixed interest rate swap with First National Bank ("FNB") with FNB which has a notional amount of \$80.0 million at September 30, 2024, a fixed interest rate of 4.10% and a maturity date of January 31, 2026. As a result of entering interest rate swap agreements, for the twelve months ended September 30, 2024, interest expense has been decreased by \$1.3 million, respectively.

The Credit Agreement requires compliance with a number of financial covenants and contains restrictions on our ability to engage in certain transactions. Among other matters, we must comply with limitations on: granting liens; incurring other indebtedness; maintenance of assets; investments in other entities and extensions of credit; mergers and consolidations; and changes in nature of business. The loan agreement also requires us to comply with certain quarterly financial covenants including: (i) a minimum fixed charge coverage ratio of at least 1.25 to 1.00, and (ii) a total leverage ratio not exceeding the ratio of 4.50:1.00 to 2.00:1.00 through maturity. The total leverage ratio is calculated by dividing the Company's total interest-bearing debt by net income adjusted to exclude (i) interest and other expenses, (ii) provision for or benefit from income taxes, if any, (iii) depreciation and amortization, and (iv) non-cash charges, losses or expenses, including stock-based compensation, and (v) non-recurring charges, losses or expenses to include transaction and non-cash equity expense. We are in compliance with all loan covenants and restrictions as of September 30, 2024.

We are required to pay quarterly amortization payments, which commenced in December 2022. The annual amortization amounts are \$14.3 million for fiscal year 2024, \$19.0 million each for fiscal years 2025 and 2026, and \$23.8 million for fiscal year 2027, with the remaining unpaid loan balance due at maturity in December 2027. The quarterly payments are equal installments. The Company made voluntary prepayments of \$19.0 million during the twelve months ended September 30, 2024 bringing the outstanding principal balance on the secured term loan to \$142.5 million. We have satisfied the mandatory principal payments through September 30, 2025.

In addition to quarterly payments of the outstanding indebtedness, the loan agreement also requires annual payments of a percentage of excess cash flow, as defined in the loan agreement. The loan agreement states that an excess cash flow recapture payment must be made equal to (a) 75% of the excess cash flow for the immediately preceding fiscal year in which indebtedness to consolidated EBITDA ratio is greater than or equal to 2.50:1.00; (b) 50% of the excess cash flow for the immediately preceding fiscal year in which the funded indebtedness to consolidated EBITDA Ratio is less than 2.50:1.00 but greater than or equal to 1.50:1.00; or (c) 0% of the excess cash flow for the immediately preceding fiscal year in which the funded indebtedness to consolidated EBITDA Ratio is less than 1.50:1.00. In addition, the Company must make additional mandatory prepayment of amounts outstanding based on proceeds received from asset sales and sales of certain equity securities or other indebtedness. Due to the voluntary prepayment of term debt, there was no excess cash flow payment required. For additional information regarding the schedule of future payment obligations, please refer to [Note 10 Commitments and Contingencies](#).

(b) The secured revolving line of credit has a ceiling of up to \$32.5 million; as of September 30, 2024, we had unused borrowing capacity of \$18.1 million, which is net of outstanding letters of credit. Borrowing on the secured revolving line of credit is secured by liens on substantially all of the assets of the Company. The Company accessed funds from the secured revolving line of credit during the year, which had a \$12.1 million outstanding balance at September 30, 2024. As part of the secured revolving line of credit, the lenders agreed to a sublimit of \$10.0 million for letters of credit for the account of the Company, subject to applicable procedures.

8. Stock-based Compensation and Equity Grants

Stock-based compensation expense

Options issued under equity incentive plans were designated as either an incentive stock or a non-statutory stock option. No option was granted with a term of more than 10 years from the date of grant. Exercisability of option awards may depend on achievement of certain performance measures determined by the Compensation Committee of our Board. Shares issued upon option exercise are newly issued shares. As of September 30, 2024, there were 1.1 million shares available for grant.

Total stock-based compensation expense, presented in the table below, is recorded in general and administrative expenses included in our consolidated statements of operations for the years ended September 30, 2024 and 2023 (in thousands):

	2024	2023
DLH employees (a)	\$ 1,280	\$ 1,204
Non-employee directors (b)	618	718
Stock option expense	\$ 1,898	\$ 1,922

(a): Included in this amount are equity grants of restricted stock units ("RSU") to Executive Officers, which were issued in accordance with the DLH long-term incentive compensation policy in this fiscal year, and stock option grants to employees during prior fiscal years. The RSUs issued and outstanding totaled 316,863 and 211,228 at September 30, 2024 and 2023, respectively. During the fiscal year ended September 30, 2024, 169,544 RSUs were granted to Executive Officers. Of the RSUs granted, 84,773 have performance-based vesting criteria and the remaining 84,771 have service-based vesting criteria. At a 50% volatility and assumptions of a 3-year term and the performance vesting criteria results in an indicated a fair value. The RSUs granted during the fiscal year ended September 30, 2024, as follows using the Monte Carlo Method.

Grant Date	Performance Vesting Base	Performance Vesting Criteria	(Years)	Volatility 50% Calculated Fair Value
December 15, 2023	Revenue	Revenue increase at the end of the performance period as compared to the year ended September 30, 2023	3	\$ 3.82
December 15, 2023	Stock price	Stock price is at least \$25.65 per share average for the 30 days prior to the end of the performance period	3	\$ 5.36
January 27, 2023	Revenue	Revenue increase at the end of the performance period as compared to the year ended September 30, 2022	3	\$ 3.51
January 27, 2023	Stock price	Stock price is at least \$33.21 per share average for the 30 days prior to the end of the performance period	3	\$ 2.92

Notes: Results based on 100,000 simulations

(b): Equity grants of RSUs were made in accordance with DLH compensation policy for non-employee directors and a total of 61,525 and 50,367 restricted stock units were issued and outstanding at September 30, 2024 and 2023, respectively. These grants have service-based vesting criteria and vest at the end of this fiscal year.

Unrecognized stock-based compensation expense

Unrecognized stock-based compensation expense is presented in the table below for the years ending September 30, 2024 and 2023 (in thousands):

	2024	2023
Unrecognized expense for DLH employees (a)	\$ 4,417	\$ 7,107
Unrecognized expense	\$ 4,417	\$ 7,107

(a): On a weighted average basis, this expense is expected to be recognized within the next 2.98 years.

Stock option activity for the year ended September 30, 2024:

The aggregate intrinsic value in the table below represents the total pretax intrinsic value (i.e., the difference between the Company's closing stock price on the last trading day of the period and the exercise price, times the number of shares) that would have been received by the option holders had all option holders exercised their in the money options on those dates. This amount will change based on the fair market value of the Company's stock. A summary of the Company's stock option awards is as follows:

	Number of Shares (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding, September 30, 2023	2,278	\$ 8.40	5.8	\$ 8,693
Exercised	(760)	4.12	—	—
Cancelled	(282)	14.73	—	—
Outstanding, September 30, 2024	1,236	\$ 9.28	6.1	\$ 1,313
Vested and exercisable, September 30, 2024	1,177	\$ 9.37	6.0	\$ 1,313

Stock options shares outstanding, vested and unvested for the years ended September 30, 2024 and 2023 (in thousands):

	Number of Shares	
	2024	2023
Vested and exercisable	1,176	1,608
Unvested (a)	60	670
Options outstanding	1,236	2,278

(a): Certain awards vest upon satisfaction of certain performance criteria.

9. Earnings Per Share

Basic earnings per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding and restricted stock grants that vested or are likely to vest during the period. Diluted earnings per share is calculated by dividing income available to common shareholders by the weighted average number of basic common shares outstanding, adjusted to reflect potentially dilutive securities. Diluted earnings per share is calculated using the treasury stock method.

Earnings Per Share information is presented in the table below for the years ending September 30, 2024 and 2023 (in thousands except for per share amounts):

	2024	2023
Numerator:		
Net income	\$ 7,397	\$ 1,461
Denominator:		
Denominator for basic net income per share - weighted-average outstanding shares	14,169	13,704
Effect of dilutive securities:		
Stock options and restricted stock	236	727
Denominator for diluted net income per share - weighted-average outstanding shares	\$ 14,405	\$ 14,431
Net income per share - basic	\$ 0.52	\$ 0.11
Net income per share - diluted	\$ 0.51	\$ 0.10

10. Commitments and Contingencies

Contractual Obligations as of September 30, 2024 (in thousands):

	Total	Payments Due Per Fiscal Year					Thereafter
		2025	2026	2027	2028	2029	
Debt obligations	\$ 154,558	\$ 12,058	\$ 19,000	\$ 23,750	\$ 99,750	\$ —	\$ —
Facility operating leases	18,538	3,536	3,305	2,706	2,557	2,646	3,788
Contractual obligations	\$ 173,096	\$ 15,594	\$ 22,305	\$ 26,456	\$ 102,307	\$ 2,646	\$ 3,788

Legal Proceedings

As a commercial enterprise and employer, the Company is subject to various claims and legal actions in the ordinary course of business. These matters can include professional liability, employment-relations issues, workers' compensation, tax, payroll and employee-related matters, other commercial disputes arising in the course of its business, and inquiries and investigations by governmental agencies regarding our employment practices or other matters. The Company is not aware of any pending or threatened litigation that it believes is reasonably likely to have a material adverse effect on its results of operations, financial position or cash flows.

11. Related Party Transactions

The Company has determined that for the years ended September 30, 2024 and 2023 and through the filing date of this report, there were no related party transactions that have occurred which require disclosure through the date that these consolidated financial statements were issued.

12. Provision for Income Taxes

The significant components of provision for income taxes from continuing operations are summarized as follows for the years ending September 30, 2024 and 2023 (in thousands):

	2024	2023
Current expense	\$ 3,525	\$ 3,823
Deferred expense	(3,175)	(4,464)
Income tax expense (benefit)	\$ 350	\$ (641)

The following table presents the significant differences between our income taxes at the federal statutory rate and the Company's effective tax rate for continuing operations for the years ending September 30, 2024 and 2023 (in thousands):

	2024	2023
Income taxes at the federal statutory rate	\$ 1,654	\$ 187
State taxes, net	(200)	(536)
Other permanent items	(1,104)	(292)
Income tax expense (benefit)	\$ 350	\$ (641)

An analysis of the Company's deferred tax assets and liabilities at September 30, 2024 and 2023 is as follows (in thousands):

	2024	2023
Deferred tax assets:		
Net operating loss carry forwards, net	\$ 1,903	\$ 855
Stock based compensation	732	708
Accrued compensation	2,204	2,094
Capitalized transaction costs	532	973
Right-of-use	1,682	1,669
Interest limitation	6,313	2,601
Total deferred tax assets	\$ 13,366	\$ 8,900
Less: valuation allowance	(1,894)	(847)
Total deferred tax assets, net	\$ 11,472	\$ 8,053
Deferred tax liabilities:		
Depreciation on fixed assets	(402)	(418)
Amortization on identified intangibles and goodwill	(4,364)	(4,050)
Accrued expenses	(461)	(515)
Total deferred tax liabilities	\$ (5,227)	\$ (4,983)
Net deferred tax assets	\$ 6,245	\$ 3,070

13. Employee Benefit Plans

As of September 30, 2024, the Company maintains a 401(k) Plan (the "401(k) Plan"), a defined contribution and supplemental pension plan for the benefit of its eligible employees. The Company may provide a discretionary matching contribution of a participant's elective contributions under the 401(k) Plan. The Company recorded related expense of \$3.4 million and \$2.6 million for the years ending September 30, 2024 and 2023, respectively. Participants are always fully vested in their elective contributions and vest in Company matching contributions over a four-year period.

14. Subsequent Events

On November 6, 2024, the Company completed an amendment to its credit facility. The amendment modified certain financial covenants thresholds for future measurement periods. The modification did not change the financial covenants thresholds for September 30, 2024. The amendment was approved by the Company's Board of Directors and Executive Management and the credit facility lenders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer ("CEO") and President and Chief Financial Officer ("CFO"), after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this Annual Report. Based on the evaluation of these controls and procedures, our disclosure controls and procedures were effective at the reasonable assurance level to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) that such information is accumulated and communicated to our management, including our CEO and President and CFO, to allow timely decisions regarding required disclosure.

Our management, including our CEO and President and CFO, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. Our management, however, believes our disclosure controls and procedures are in fact effective to provide reasonable assurance that the objectives of the control system are met.

Management's Report on Internal Control over Financial Reporting

Our management, under the supervision of our CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the company; and
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Management, including our CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2024. In making this evaluation, management used the 2013 framework on Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the COSO framework, our management has concluded that our internal control over financial reporting was effective as of September 30, 2024.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

WithumSmith+Brown, PC, an independent registered public accounting firm, has audited the Company's consolidated financial statements and has reported on the Company's internal control over financial reporting as of September 30, 2024. The audit report can be found in Part II, Item 8 of this Annual Report on Form 10-K.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) identified in connection with the evaluation of our internal control that occurred during the fourth quarter of our fiscal year ended September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

- (a) None.
- (b) During the three months ended September 30, 2024, none of our directors or officers adopted or terminated a "rule 10b5-1 trading arrangement" or "non-rule 10b5-1 trading arrangement," as each term is defined in Item 408 (a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

The Information required by Items 10, 11, 12, 13 and 14 of Part III of Form 10-K has been omitted in reliance on General Instruction G(3) and is incorporated herein by reference to our proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended, as set forth below:

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item with respect to our executive officers, directors, board committees, and corporate governance matters will be set forth in our definitive Proxy Statement under the captions "Executive Officers," "Election of Directors," and "Corporate Governance" of the Proxy Statement, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference to our Proxy Statement.

We have adopted a written code of business conduct and ethics, which applies to our principal executive officer, principal financial or accounting officer or person serving similar functions and all of our other employees and members of our board of directors. We did not waive any provisions of the code of business ethics during the year ended September 30, 2024. Our code of business conduct and ethics is posted in the investor relations - corporate governance section of our website at www.dlhcorp.com. If we amend, or grant a waiver under, our code of business ethics that applies to our principal executive officer, principal financial or accounting officer, or persons performing similar functions, we intend to post information about such amendment or waiver on our website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be set forth in our definitive Proxy Statement, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference to our Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be set forth in our definitive Proxy Statement, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference to our Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be set forth in our definitive Proxy Statement, to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference to our Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be set forth in our definitive Proxy Statement under the caption "Independent Registered Public Accounting Firm", to be filed within 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, and is incorporated herein by reference to our Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) (1) Financial Statements

The financial statements and schedules of the Company are included in Part II, Item 8 of this report beginning on **page 33**.

- (a) (2) Financial Statement Schedule

All schedules have been omitted since the required information is not applicable or because the information required is included in the consolidated financial statements or the notes thereto.

- (a) (3) Exhibits

The exhibits listed in the Exhibit Index immediately below are filed as part of this Annual Report on Form 10-K or are incorporated by reference herein to the document referenced in brackets following the descriptions of such exhibits.

Exhibit No.	Description
2.1 †	Equity Purchase Agreement among DLH Holdings Corp., Grove Resource Solutions, LLC, the Equity holders, Omega D and D Corporation, and the Representative of the Equity holders (filed as Exhibit 2.1 to Current Report on Form 8-K filed on December 14, 2022).
3.1	Amended and Restated Certificate of Incorporation (filed as Exhibit A to Definitive Proxy Statement dated May 1, 2000 as filed with the Securities and Exchange Commission).
3.2	Amended and Restated By-Laws of Registrant adopted as of August 27, 2020 (filed as Exhibit 3.1 to the Current Report on Form 8-K filed August 31, 2020).
3.3	Amendment to Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit B to Definitive Proxy Statement dated March 13, 2008 as filed with the Securities and Exchange Commission).
3.4	Amendment to Amended and Restated Certificate of Incorporation of the Company filed June 25, 2012 (filed as Exhibit 3.1 to Current Report on Form 8-K filed on June 26, 2012).
3.5	Amendment to Amended and Restated Certificate of Incorporation filed February 12, 2015 (filed as Annex A to the Company's Proxy Statement dated December 31, 2014).
4.1	Specimen of the Common Stock Certificate (filed as Exhibit 4.1 to Annual Report on Form 10-K for the fiscal year ended September 30, 2017).
4.2	Description of Securities (filed as Exhibit 4.3 to Annual Report on Form 10-K filed on December 7, 2020).
10.1 #	Form of Stock Option Award under 2006 Long Term Incentive Plan (filed as Exhibit 10.6 to Quarterly Report on Form 10-Q filed on February 16, 2010).
10.2 #	2006 Long Term Incentive Plan, as amended (filed as Annex A to the Company's Proxy Statement dated January 3, 2014).
10.3	Lease Agreement dated April 27, 2015 between DLH Holdings Corp. and Piedmont Center, 1-4 LLC (filed as Exhibit 10.1 to Quarterly Report on Form 10-Q filed on August 5, 2015).
10.4 #	2016 Omnibus Equity Incentive Plan, as amended (incorporated by reference to Appendix A to the Company's definitive Proxy Statement dated January 28, 2021).
10.5 #	Form of Stock Option Award Agreement under the 2016 Omnibus Equity Incentive Plan (filed as Exhibit 10.8 to Quarterly Report on Form 10-Q filed May 16, 2016).
10.6 ††	Credit Agreement among DLH Holdings Corp., DLH Solutions, Inc., Danya International, LLC, Social & Scientific Systems, Inc., First National Bank of Pennsylvania, as Administrative Agent and other lenders party thereto (filed as Exhibit 10.1 to Current Report on Form 8-K filed on June 13, 2019).
10.7	First Amendment to Credit Agreement among DLH Holdings Corp., DLH Solutions, Inc., Danya International, LLC, Social & Scientific Systems, Inc., First National Bank of Pennsylvania, as Administrative Agent and other lenders party thereto (filed as Exhibit 10.1 to Current Report on Form 8-K filed on September 12, 2019).
10.8 ††	Amended and Restated Credit Agreement among DLH Holdings Corp., DLH Solutions, Inc., Danya International, LLC, Social & Scientific Systems, Inc., Irving Burton Associates, LLC, First National Bank of Pennsylvania, as Administrative Agent and other lenders party thereto (filed as Exhibit 10.1 to Current Report on Form 8-K filed October 6, 2020).
10.9 ††	Second Amended and Restated Credit Agreement among DLH Holdings Corp., DLH Solutions, Inc., Danya International, LLC, Social & Scientific Systems, Inc., Irving Burton Associates, LLC, Grove Resource Solutions, LLC, First National Bank of Pennsylvania, as Administrative Agent and other lenders party thereto (filed as Exhibit 10.1 to Current Report on Form 8-K filed December 14, 2022).
10.10 ††	First Amendment, dated November 6, 2024, to Second Amended and Restated Credit Agreement (filed as Exhibit 10.1 to Current Report on Form 8-K filed November 12, 2024).
10.11 #	Employment Agreement between the Company and Zachary C. Parker dated as of September 30, 2022 (filed as Exhibit 10.1 to Current Report on 8-K filed on October 6, 2022).
10.12 #	Form of Restricted Stock Unit for non-employee directors under the 2016 Omnibus Equity Incentive Plan.
10.13 #	Change in Control, Severance and Covenant Agreement between the Company and Jeanine M. Christian (filed as Exhibit 10.3 to Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2020, filed August 5, 2020).
10.14 #	Form of performance-based restricted stock unit award granted under the 2016 Omnibus Equity Incentive Plan (filed as Exhibit 10.1 to Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2023).

10.15	#	Form of time-based restricted stock unit award granted under the 2016 Omnibus Equity Incentive Plan (filed as Exhibit 10.2 to Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2023).
10.16	#	Employment agreement between the Company and Kathryn M JohnBull dated September 21, 2023 (filed as Exhibit 10.1 to Current Report on Form 8-K filed on September 25, 2023).
19.1	*	DLH Holdings Corp. Insider Trading Policy.
21.00	*	Subsidiaries of Registrants.
23.10	*	Consent of WithumSmith+Brown, PC
31.10	*	Certification of Chief Executive Officer pursuant to Section 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).
31.20	*	Certification of Chief Financial Officer pursuant to Section 17 CFR 240.13a-14(a) or 17 CFR 240.15d-14(a).
32.10	*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 17 CFR 240.13a-14(b) or 17 CFR 240.15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code.
97		Policy Relating to Recovery of Erroneously Awarded Compensation (filed as Exhibit 97 to Annual Report on Form 10-K for the fiscal year ended September 30, 2023)
101.0		The following financial information from the DLH Holdings Corp. Annual Report on Form 10-K for the fiscal year ended September 30, 2024, formatted in iXBRL (Inline eXtensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Cash Flows; (iv) the Consolidated Statements of Changes in Shareholders' Equity and, (v) the Notes to the Consolidated Financial Statements. Filed electronically herewith.
104.0		Cover Page Interactive Data File. (formatted as Inline XBRL tags and contained in Exhibit 101)

* Indicates exhibit is filed electronically herewith.

Denotes a management contract or compensation plan or arrangement.

† Schedules and other similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The registrant hereby undertakes to furnish supplemental copies of any of the omitted schedules and other similar attachments upon request by the SEC.

†† Schedules omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish a copy of any omitted schedule to the Securities and Exchange Commission upon request.

ITEM 16. FORM 10-K SUMMARY

None.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

DLH HOLDINGS CORP.

By:

/s/ KATHRYN M. JOHNBULL

Kathryn M. JohnBull
Chief Financial Officer
(Principal Accounting Officer)

Dated: December 4, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ Frederick G. Wasserman</u> Frederick G. Wasserman	Chairman of the Board	December 4, 2024
<u>/s/ Judith L. Bjornaas</u> Judith L. Bjornaas	Director	December 4, 2024
<u>/s/ Martin J. Delaney</u> Martin J. Delaney	Director	December 4, 2024
<u>/s/ Elder Granger, M.D.</u> Elder Granger, M.D.	Director	December 4, 2024
<u>/s/ Frances Murphy, M.D.</u> Frances Murphy, M.D.	Director	December 4, 2024
<u>/s/ Austin J. Yerks III</u> Austin J. Yerks III	Director	December 4, 2024
<u>/s/ Stephen J. Zelkowicz</u> Stephen J. Zelkowicz	Director	December 4, 2024
<u>/s/ Zachary C. Parker</u> Zachary C. Parker	Chief Executive Officer, President and Director	December 4, 2024
<u>/s/ Kathryn M. JohnBull</u> Kathryn M. JohnBull	Chief Financial Officer and Principal Accounting Officer	December 4, 2024

DLH Holdings Corp.

Insider Trading and Confidentiality Policy

Effective

08/10/2023

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1. Overview

All DLH Holdings Corp. (together with its subsidiaries, “DLH” or “the Company”) personnel must be aware that the securities laws impose important restrictions on “insiders” of companies with respect to their securities transactions. In appropriate cases, “insider” status can extend to persons who are not DLH employees, but who are retained by DLH for a particular project or on a continuing basis.

This Insider Trading and Confidentiality Policy (this “Policy”) provides guidelines with respect to transactions involving the Company’s securities and the handling of confidential information about the Company and third parties with which the Company does business. The principal restriction on insiders is that insiders may not trade in the Company’s securities (the “Company Securities”) on the basis of material information known to them but not to the public or “tip” others concerning such information. Violations of these restrictions can carry criminal as well as civil penalties.

In light of these restrictions, and in order to avoid even the appearance of impropriety, DLH personnel may not trade in securities of DLH or any other company about which they possess material, non-public information until such information becomes public. The guidelines set forth in this Policy are designed to protect you from violating this Policy.

All DLH personnel should be continually mindful of the necessity of maintaining the confidentiality of information as well as the problems of insider trading. This Policy reflects DLH’s long-standing commitment to maintain compliance with the securities laws. Because the securities laws are comprehensive, far-reaching and constantly evolving, the text of this Policy cannot possibly deal with all of the considerations that may be applicable to securities transactions. If you have a specific question, you should contact Victor J. DiGioia, Esq., DLH’s Governance Officer (the “Governance Officer”) and abstain from the conduct in question until you have been informed that the conduct is permissible.

2. Applicability

This Policy applies to all DLH officers and employees, all members of the Company’s Board of Directors, and any consultants and contractors of the Company, as well as (i) “family members” of such persons and (ii) entities, including trusts and corporations, over which such persons have or share voting or investment control, or otherwise have influence (“Controlled Entities”). For purposes of this Policy, the term “Family Members” means (x) any family member who resides with you (including a spouse, domestic partner, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings and in-laws), (y) anyone else who lives in your household (other than household employees), and (z) any family members who do not live in your household but whose transactions in Company securities are directed by you or are subject to your influence or control, such as parents or children who consult with you before they trade in Company securities. Accordingly, all references in this policy to DLH “personnel” include all of these people and entities as well. DLH recognizes such broad coverage might not be appropriate in all cases. Any such instances should be discussed promptly with DLH’s Governance Officer.

3. Improper Insider Trading

While DLH policy prohibits all misuse of confidential information obtained by DLH personnel in connection with their employment by or relationship with the Company, including all securities trading based on such information, certain trading activities also violate the law. Because of the severity of the penalties provided by law and the potential for damage to DLH's name and business reputation as a result of such unlawful trading, these legal prohibitions are summarized below.

a. General Prohibitions

DLH has a long-standing commitment to comply with federal, state and applicable foreign securities laws and regulations. In the course of business operations, personnel may become aware of material, non-public information. United States securities laws and the laws of certain foreign countries (as well as this Policy) prohibit persons from trading securities on the basis of material, non-public information or providing such information to others who trade.

The law requires that an insider who is in possession of material, non-public information must either: (a) abstain from (i) trading in securities (including but not limited to equity securities, debt securities, and puts, calls, options, etc.) on the basis of material information that has not been disclosed to the public; (ii) recommending the purchase or sale of any Company Securities; (iii) disclosing such information to another person – a “tippee” – who uses it for trading purposes regardless of whether the “tippee” is related to the insider or is an entity (for example, a trust) in which the insider has an interest; (iv) assisting anyone engaged in the above activities; or (b) disclose it to the investing public.

In light of DLH's policy designating specific spokespersons responsible for communications with the investing public, this “abstain or disclose” rule established by law translates into the corporate policy that employees who are in possession of material, non-public information must abstain from trading on the basis of that information or disclosing the information to a “tippee.” Only authorized officers of the Company are permitted to decide the timing and content of public disclosures regarding the Company and Company personnel may not trade or “tip” until public disclosure has been made and adequate time has passed to assure broad dissemination of the information.

The fact that an insider who possesses material inside information may have relied on factors other than the inside information in purchasing or selling securities will not absolve him or her from liability. If the insider is in possession of such information, he or she must refrain from any transaction in DLH's securities. It is no excuse that the insider considered him- or herself under a duty (for example, as a trustee of a trust) to trade or that he or she did not intend to defraud anyone. As a result, DLH personnel should not enter into any relationship (such as that of a trustee) that might subject them to such a duty to trade.

b. What is insider trading?

The prohibition against such trading generally is understood to prohibit (1) trading on the basis of material, non-public information, (2) disclosing or “tipping” material, non-public information to others or recommending the purchase or sale of securities on the basis of such information or (3) assisting someone who is engaged in any of the above activities. Additionally, the prohibition on insider trading

is not limited to trading in Company securities, and includes trading in the securities of other companies, such as the Company's customers, suppliers, strategic partners and competitors.

c. Who is an insider?

The term "insider" applies to anyone who, by virtue of having a special relationship with the Company, possesses material, non-public information regarding the business of the Company. An individual can be considered an insider for a limited time with respect to certain material, non-public information even though he or she is not a director or officer. For example, an assistant who knows that an acquisition is about to occur may be regarded as an insider with respect to that information until the news of such acquisition has been fully disclosed to the public.

d. What is material, non-public information?

Information is generally deemed to be "material" if there is a substantial likelihood a "reasonable investor" would consider it important in deciding to purchase, sell or hold a security to which the information relates. Materiality is based on an assessment of all facts and circumstances. Any information that could be expected to affect a company's stock price, whether it is positive or negative, should be considered material. As a practical matter, materiality often is determined after the fact, when it is known that someone has traded on the information and after the information itself has been made public and its effects upon the market are more certain. Examples of information that is generally regarded as material are:

- Financial results;
- projections of future results or other guidance;
- changes to previously announced earnings guidance, or the decision to suspend earnings guidance;
- major proposed or pending acquisitions, investments or divestitures or other significant transactions, including mergers, joint ventures and tender offers;
- significant developments relating to the Company's contracting business (such as new contract wins) or significant new products or services or the gain or loss of a significant customer or supplier;
- changes in key personnel or major personnel changes which may include significant layoffs or reorganizations;
- the declaration of stock splits or stock buy-backs;
- changes in dividend policy;
- new offerings of equity or debt securities;

- significant developments in pending or threatened significant litigation;
- significant actual or potential cybersecurity risks, incidents or events that affect the Company or third-party providers that support the Company's business operations, including computer system or network compromises, viruses or other destructive software and data breach incidents that may disclose personal, business or other confidential information;
- events that may result in the creation of a significant reserve or write-off or other significant adjustments to the financial statements;
- pending or threatened significant litigation or inquiry by a governmental or regulatory authority; and
- any other facts, either positive or negative, which might cause the Company's financial results to be substantially affected.

If you have any questions regarding whether information you possess is material or not, you should contact the Compliance Officer. A good general rule of thumb: When in doubt, do not trade.

e. **When Is Information Deemed Public?**

A person with material, non-public information may trade only when he or she is certain that an official announcement of the material information has been sufficiently publicized so that the public has had the opportunity to evaluate the information. "Non-public" information is any information that has not been previously disclosed and is not otherwise available to the general investing public. While this includes information about the Company, it may also include anything learned about DLH or its securities as a result of a special relationship with DLH and information about other companies and their securities learned as a result of a special relationship with DLH. Information should be considered "non-public" until after two full "Trading Days" (as defined below) after such information has been disseminated widely to the general public through press releases, news reports, publication in a widely available newspaper, SEC filings or other comparable means. For purposes of this Policy, a "Trading Day" shall mean a day on which the stock market (i.e., Nasdaq) is open for trading. DLH personnel may not attempt to "beat the market" by trading simultaneously with, or shortly after, the official release of material information. Accordingly, this Policy requires that all DLH personnel wait two (2) full trading days after the public disclosure of "non-public" information before trading in DLH securities. Depending on the particular circumstances, the Company may determine that a longer or shorter period should apply to the release of specific material non-public information.

4. **Policies Regarding Transactions in the Company's Securities**

The following policies apply to all transactions (including gifts), direct or indirect, in all of the Company's Securities, including, but not limited to, the Company's Common Stock (including those shares of common stock that may be held in any Company 401(k) retirement savings plan, pension plan, retirement plan, other similar plan or any such similar plan that the Company may adopt in the future), and derivative securities (including stock options, put or call options and other similar securities). It is very important that you understand and follow these rules. If you violate them, you may be subject to

disciplinary action by the Company (including termination of your employment for cause). You could also be in violation of applicable securities laws (and subject to civil and criminal penalties, including fines and imprisonment).

Note that it is your individual responsibility to comply with the laws against insider trading. This Policy is intended to assist you in complying with these laws, but you must always exercise appropriate judgment in connection with any trade in the Company's stock. The responsibility for determining whether you are in possession of material non-public information rests with you, and any action on the part of the Company, any of its employees or directors pursuant to this Policy (or otherwise) does not in any way constitute legal advice or insulate you from liability under applicable securities laws.

The terms "material information," "nonpublic information," "Black-Out Period" and "Trading Window" are defined elsewhere in this Policy.

a. **Prohibitions and Requirements for All Employees and Others Subject to this Policy:**

1. **No Trading on Material, Nonpublic Information.** No employee or other person subject to this Policy who possesses any material, non-public information concerning the Company or a third party with whom the Company does business shall engage in any transaction in the Company's or such third party's securities, including any offer to purchase or sell, during any period commencing with the date that he or she obtains such material, non-public information and ending after two (2) Trading Days following the date of public disclosure of that information. After termination of employment, any employee who is in possession of material, non-public information is prohibited from trading in Company securities until that information has become public or is no longer material.

2. **No Tipping.** No employee or other person subject to this Policy shall disclose ("tip") material, non-public information to any other person where such information may be used by such person to his or her benefit by trading in the securities of the company to which such information relates, nor shall an employee make any recommendations or express any opinions as to trading in Company Securities to any other person.

3. **No Speculative Transactions involving the Company's Stock.** Don't engage in any transactions that suggest you are speculating in DLH's stock (that is, that you are trying to profit in short-term movements, either increases or decreases, in the stock price). You may not engage in any "short" sale, "sale against the box" or any equivalent transaction involving the Company's stock (or the stock of any of DLH's business partners in any of the situations described above). A "short" sale involves selling shares that you do not own at a specified price with the expectation that the price will go down so you can buy the shares at a lower price before you have to deliver them.

4. **Compliance with Hedging Policies.** DLH personnel shall comply at all times with the Company's policies on hedging activities involving Company Securities. These policies are set forth in Section 5 below.

b. **Prohibitions and Procedures for Section 16 Reporting Persons and Designated Individuals:**

The following prohibitions and procedures apply to Section 16 Reporting Persons (as defined below) and certain other employees as may be designated by the Company from time to time (“Designated Individuals”). Initially Designated Individuals are set forth on Schedule I to this Policy. “Section 16 Reporting Persons” are members of the Company’s Board of Directors, certain executive officers, and other designated senior officers who are subject to the reporting and “short-swing profit” liability provisions of Section 16 of the Exchange Act. Section 16 Reporting Persons and Designated Individuals will be informed of their status by the Governance Officer. Under special circumstances, certain employees who are not Section 16 Reporting Persons or Designated Individuals may gain access to material, non-public information, and the Company, in its discretion, may determine that such employees may also be subject to the below-listed prohibitions and procedures. Such employees will be notified of such status and will be subject to the below-listed prohibitions and procedures for such period of time as the Company deems appropriate.

1. **No Trading During Black-Out Periods.** Section 16 Reporting Persons, Designated Individuals, as well as their Family Members and Controlled Entities, are subject to black-out periods during which they are prohibited from conducting any transactions involving the Company’s Securities. Each black-out period begins fourteen (14) calendar days prior to the end of each fiscal quarter and ends at the close of the second full trading day (days on which the stock market is open) *after disclosure of the quarter’s financial results (or annual financial results for the Company’s fourth fiscal quarter)* (the “Black-Out Period”). The period outside the Black-Out Period is referred to as the open “Trading Window.” The prohibition against trading during the Black-Out Period also prohibits the fulfillment of “limit orders” by any broker for such Section 16 Reporting Person or Designated Individual (as well as by their Family Members and Controlled Entities), and the brokers with whom any such “limit order” is placed must be informed of such prohibition at the time such “limit order” is placed. Additional black-out periods may be implemented from time to time with regard to certain employees or groups who are in possession of non-public information regarding potentially significant matters. If you are informed that the Company has implemented a special black-out period, you may not disclose the fact that trading has been suspended to anyone, including Family Members (other than those subject to this policy, who should be informed so that they do not trade in Company Securities), friends or brokers, and should treat this fact as material, nonpublic information.

2. **Pre-Clearance of Trading:** To provide assistance in preventing inadvertent violations of applicable securities laws and to avoid the appearance of impropriety in connection with the purchase and sale of Company Securities, all transactions in Company Securities (including without limitation, acquisitions and dispositions of Company stock, the exercise of stock options and the sale of Company stock issued upon exercise of stock options) by Section 16 Reporting Persons or Designated Individuals (or their respective Family Members or Controlled Entities) as being subject to this pre-clearance process must be pre-cleared by the Company’s Governance Officer. Pre-clearance by Section 16 Reporting Persons or Designated Individuals must be obtained even if the proposed transaction is to take place outside of the Black-Out Period. Pre-clearance does not relieve anyone of his or her responsibility under SEC rules. A request for pre-clearance may be oral or in writing (including without limitation by e-mail), should be made at least three (3) business days in advance of the proposed transaction and should include the identity of the Section 16 Reporting Person or Designated Individual, the type of proposed transaction (for example, an open market purchase, a privately negotiated sale, an option exercise, etc.), the proposed date of the transaction and the number of shares or options to be involved. In addition, the Section 16 Reporting Person or Designated Individual must certify that he,

she or it is not aware of any material, nonpublic information about the Company. The Governance Officer shall have sole discretion to decide whether to clear any contemplated transaction (the Chief Executive Officer shall have sole discretion to decide whether to clear transactions by the Governance Officer or persons or entities subject to this policy as a result of their relationship with the Governance Officer). All trades that are pre-cleared must be effected within five (5) business days of receipt of the pre-clearance unless a specific exception has been granted by the Governance Officer (or the Chief Executive Officer, in the case of the Governance Officer or persons or entities subject to this policy as a result of their relationship with the Governance Officer). A pre-cleared trade (or any portion of a pre-cleared trade) that has not been effected during the five (5) business day period must be pre-cleared again prior to execution. Notwithstanding receipt of pre-clearance, if the Section 16 Reporting Person or Designated Individual becomes aware of any material, non-public information or becomes subject to a Black-out Period (including a special black-out period) before the transaction is effected, the transaction may not be completed.

It should be noted that any person who possesses material, non-public information, regardless of whether or not it is within the Black-Out Period, should not engage in any transaction involving the Company's securities.

3. Gifts: Directors and Executive Officers must pre-clear gifts of DLH stock in accordance with the above procedures to assess that dispositions are a bona fide gift of equity and can be reported on Form 4 within two (2) business days by the Company. You may make a gift of your Company Securities at any time (so long as it is a bona fide gift, i.e., you pre-clear if required, it is not a bribe and not an attempt to evade the insider trading prohibitions of the securities laws). If the gift is to a Family Member of an insider, that Family Member must not sell the Company's securities except during a Trading Window (assuming that they do not otherwise have any material, non-public information). If a gift is made by an insider other than during a Trading Window to a charitable organization, neither the insider nor any Family Member may be a trustee, director, officer, or employee of that organization.

c. Exceptions to the Prohibitions on Trading:

The only exceptions to this Policy's prohibitions of trading in the Company's Securities as outlined above are the following:

1. Transactions under Company Plans. The exercise (without a sale) of stock options under the Company's stock option plans, the purchase of shares under a Company stock purchase plan, or the surrender of shares to the Company in payment of the exercise price or in satisfaction of any tax withholding obligations in a manner permitted by the applicable equity award agreement, or vesting of equity-based awards, that in each case do not involve a market sale of the Company's Securities are exempt from this Policy. This exception does not include the sale of the shares acquired pursuant to the exercise of stock option of vesting of equity-based awards, or purchase of shares under a Company stock purchase plan. While these transactions are exceptions to this Policy's prohibitions on trading in the Company's Securities, a Section 16 Reporting Person or Designated Individual (or a Family Member or Controlled Entity of such person) contemplating such a transaction should still pre-clear the proposed transaction in accordance with the above requirements.

2. Rule 10b5-1 Plans. Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) provides a defense from insider trading liability under SEC Rule 10b-5. In order to be eligible to rely on this defense, a person subject to this Policy must enter into a Rule 10b5-1 trading plan for transactions in Company Securities that meets certain conditions specified in Rule 10b5-1 (a “Trading Plan”) and must be in accordance with the Company’s “Guidelines for Rule 10b5-1 Trading Plans”.

Under Rule 10b5-1, persons subject to this Policy may trade in Company securities even at a time when he or she may be aware of material non-public information that would otherwise subject him or her to securities liability. To comply with the Policy, a Trading Plan must be approved by the Governance Officer and meet the requirements of Rule 10b5-1 and the Company’s “Guidelines for Rule 10b5-1 Trading Plans,” which may be obtained from the Governance Officer. In general, a Rule 10b5-1 Trading Plan must be entered into at a time when the person entering into the plan is not aware of material nonpublic information. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. The plan must include a cooling-off period before trading can commence that, for directors or officers, ends on the later of 90 days after the adoption of the Rule 10b5-1 plan or two business days following the disclosure of the Company’s financial results in an SEC periodic report for the fiscal quarter in which the plan was adopted (but in any event, the required cooling-off period is subject to a maximum of 120 days after adoption of the plan), and for persons other than directors or officers, 30 days following the adoption or modification of a Rule 10b5-1 plan. A person may not enter into overlapping Rule 10b5-1 Trading Plans (subject to certain exceptions) and may only enter into one single-trade Rule 10b5-1 Trading Plan during any 12-month period (subject to certain exceptions). Directors and officers must include a representation in their Rule 10b5-1 Trading Plan certifying that: (i) they are not aware of any material nonpublic information; and (ii) they are adopting the plan in good faith and not as part of a plan or scheme to evade the prohibitions in Rule 10b-5. All persons entering into a Rule 10b5-1 Trading Plan must act in good faith with respect to that plan. Any Rule 10b5-1 Trading Plan must be submitted for approval at least five (5) days prior to the entry into the Rule 10b5-1 Trading Plan. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required.

To comply with this Policy, the establishment of a Rule 10b5-1 Trading Plan, and any amendment or early termination of the Trading Plan, must be pre-approved by the Governance Officer and meet the requirements of Rule 10b5-1 and the Guidelines for Rule 10b5-1 Trading Plans.

5. Policy Regarding Hedging and Pledging of Company Securities

a. Introduction

Hedging or monetization transactions can be accomplished through a number of possible mechanisms, including, but not limited to, through the use of financial instruments such as exchange funds, prepaid variable forwards, equity swaps, puts, calls, collars, forwards and other derivative instruments, or through the establishment of a short position in the Company’s Securities. Such hedging and monetization transactions may permit an officer, director or other employee of the Company to continue to own DLH securities obtained through Company’s benefit plans or otherwise, but without

the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company's other stockholders. Moreover, certain short-term or speculative transactions in the Company's Securities by officers, directors, and certain other employees create the potential for heightened legal risk and/or the appearance of improper or inappropriate conduct involving the Company's Securities.

b. Objectives

The objectives of this policy regarding hedging and pledging activities (the "Hedging Policy") are to: (1) prohibit the Company's officers, directors, and key employees from directly or indirectly engaging in hedging or monetization transactions, through transactions in the Company's Securities or through the use of financial instruments designed for such purpose; and (2) prohibit officers, directors, and key employees from engaging in short-term or speculative transactions in the Company's Securities that could create heightened legal risk and/or the appearance of improper or inappropriate conduct by the Company's officers, directors or key employees.

c. Applicability

This Hedging Policy applies to all of the Company's officers, directors, and key employees. As used in this Section 5, the term "key employee" means a non-executive employee of the Company that holds a position at or above the level of Vice President or Senior Manager. The Board of Directors may determine whether this Hedging Policy should apply to other individuals, including consultants and contractors to the Company.

d. Policy

The Company's officers, directors, and key employees may not engage in any hedging or monetization transactions with respect to the Company's Securities, including, but not limited to, through the use of financial instruments such as exchange funds, prepaid variable forwards, equity swaps, puts, calls, collars, forwards and other derivative instruments, or through the establishment of a short position in the Company's Securities.

Further, the Company's officers, directors, and key employees may not engage in the following in short-term or speculative transactions in the Company's Securities that could create heightened legal risk and/or the appearance of improper or inappropriate conduct by the Company's officers, directors, or key employees:

- **Short-Term Trading.** Short-term trading of the Company's Securities may be distracting to the person and may unduly focus the person on the Company's short-term stock market performance, instead of the Company's long-term business objectives. For these reasons, any officer, director or key employee of the Company who purchases the Company's Securities in the open market may not sell any Company Securities of the same class during the six months following the purchase (or vice versa).
- **Short Sales.** Short sales of the Company's Securities (i.e., the sale of a security that the seller does not own) or "sales against the box" may evidence an expectation on the part

of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in the Company's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Company's performance. For these reasons, short sales of the Company's Securities by officers, directors, and key employees are prohibited. Short sales arising in certain types of hedging transactions are governed by this Hedging Policy's prohibition on hedging transactions, as described above.

- **Publicly-Traded Options.** Given the relatively short term of publicly-traded options, transactions in options may cause an officer, director or key employee to focus on short-term performance at the expense of the Company's long-term objectives. Accordingly, this Hedging Policy prohibits transactions by officers, directors, and key employees in put options, call options or other derivative securities related to the Company's Securities, on an exchange or in any other organized market. Transactions in options arising in certain types of hedging transactions are governed by this Hedging Policy's prohibition on hedging transactions, as described above.
- **Margin Accounts and Pledged Securities.** Securities held in a margin account as collateral for a margin loan may be sold by the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. Because a margin sale or foreclosure sale may occur at a time when the pledgor is aware of material nonpublic information or otherwise is not permitted to trade in the Company's Securities, officers, directors, and key employees are prohibited from holding the Company's Securities in a margin account or otherwise pledging the Company's Securities as collateral for a loan. Pledges of Company Securities arising from certain types of hedging transactions are governed by this Hedging Policy's prohibition on hedging transactions, as described above.
- **Standing and Limit Orders.** Standing and limit orders (except standing and limit orders under approved Rule 10b5-1 Plans) create heightened risks for insider trading violations similar to the use of margin accounts. There is no control over the timing of purchases or sales that result from standing instructions to a broker, and as a result the broker could execute a transaction when a director, officer or other key employee is in possession of material nonpublic information. The Company therefore discourages placing standing or limit orders on Company Securities. If a person subject to this Hedging Policy determines that they must use a standing order or limit order, the order should be limited to a short duration and should otherwise comply with the pre-clearance procedures outlined in the Policy.

6. Application of Policy After Employment Termination

If you are subject to a Black-Out Period (including a special black-out period) imposed by this Policy and your employment terminates during such Black-Out Period (or if you otherwise leave while in possession of material, nonpublic information), you will continue to be subject to the Policy, and specifically to the ongoing prohibition against trading, until the black-out period ends (or otherwise until

the close of the second full trading day following public announcement of the material, nonpublic information). DLH may institute stop-transfer instructions to its transfer agent in order to enforce this provision.

7. Potential Criminal and Civil Liability and/or Disciplinary Action

The federal securities laws make it unlawful for any person to trade while in possession of material non-public information or to make false statements or omit to state material facts in connection with the purchase or sale of any security. There are no limits on the size of a transaction that will trigger insider trading liability. In the past, relatively small trades have resulted in SEC investigations and lawsuits. Individuals found liable for insider trading face penalties of up to three (3) times the profit gained or loss avoided, a criminal fine of up to \$5 million and up to twenty (20) years in jail. In addition to the potential criminal and civil liabilities mentioned above, in certain circumstances the Company may be able to recover all profits made by an insider who traded illegally, plus collect other damages. In addition, the Company (and its executive officers and directors) could itself face penalties of the greater of \$1 million or three (3) times the profit gained or loss avoided as a result of an employee's violation and/or a criminal penalty of up to \$25 million for failing to take steps to prevent insider trading. Without regard to the civil or criminal penalties that may be imposed by others, violation of this Policy and its procedures may subject an individual to Company-imposed discipline, including dismissal (for more detail). The procedures regarding securities trading outlined here are designed to deter and, where possible, to prevent such improper trading.

8. Penalties for Violating This Policy

Violations of this Policy may lead to disciplinary action up to and including termination for an employee and termination of the business relationship for a third party. The Company may need to alert appropriate authorities if required or it decides, in its sole discretion, that the situation warrants. As stated above, violations of insider trading laws may subject individuals to civil and criminal penalties, including fines and imprisonment. Your fellow employees and the Company itself may also be subject to such penalties, even if they did not authorize or condone the wrongdoing.

9. Policies Regarding the Use, Disclosure and Protection of Material, Nonpublic Information

a. Confidentiality

It is the duty of DLH personnel and of each person affiliated with DLH to maintain the confidentiality of information belonging to or relating to DLH or relating to others and obtained through a relationship with DLH. Adhering to this principle is a condition of continued employment. As explained previously, under no circumstances may an employee use material, non-public information about the Company for his or her personal benefit. Moreover, except as specifically authorized or in the performance of regular corporate duties, under no circumstances may an employee release to others information that might affect the Company's securities. Therefore, it is important that an employee not disclose material, non-public information to anyone, including other employees of the Company, unless the other employee needs to know such information in order to fulfill his or her job responsibilities. Under no other circumstances should such information be disclosed to anyone, including family, relatives or business or social acquaintances. Further, in the ordinary course of doing business,

employees may come into possession of material, non-public information with respect to other companies with whom the Company does business. An individual receiving material, non-public information in such a manner has the same duty not to disclose the information to others or to use that information in connection with securities transactions of such other company as such individual has with respect to material, non-public information about the Company. In maintaining the confidentiality of the information, the individual in possession of such information shall not affirm or deny statements made by others, either directly or through electronic means, if such affirmation or denial would result in the disclosure of material, non-public information. If an employee has any doubt about whether certain information is non-public or material, such doubt should be resolved in favor of not communicating such information or trading without discussing with the Governance Officer or raising with the Company's counsel. Questions concerning what is or is not material, non-public information should also be directed to the Company's Governance Officer. You should take every practicable step to preserve the confidentiality of information. For example:

- Don't discuss material information in elevators, hallways, restaurants, airplanes, taxi cabs or any place where you can be overheard.
- Don't gossip about confidential information.
- Don't read confidential documents in public places (this can include working on your laptop or mobile phones while traveling) or discard them where they can be retrieved by others.
- Don't carry confidential documents in elevators, hallways, etc. in an exposed manner
- Beware of the carrying quality of conversations conducted on speaker telephones in offices, and the potential for eavesdropping on conversations conducted on cell phones, airplane telephones or marine radios.
- Don't leave confidential documents unattended in conference rooms and don't leave confidential documents behind when the conference is over.
- Cover confidential documents on your desk before you leave work or your hotel room, if you are traveling.
- Be careful when giving out the whereabouts of personnel not in the office or revealing the presence of specific visitors to the office. The mere fact of a meeting or the destination of a trip may reveal something confidential.
- Under no circumstances should personnel provide confidential DLH documents to third parties without the express consent of an authorized officer of the Company. This includes, but is not limited to, any confidential Company documents relating to DLH customers, competitors or suppliers.
- Don't participate in Internet "chat rooms" or internet platforms on which DLH is discussed or post information concerning DLH, its business or its securities on investor forums or other internet forums or platforms.

Obviously, a list such as this covers the more obvious circumstances. It is the responsibility of DLH personnel to take whatever steps are appropriate to preserve the confidentiality of information.

b. **Inadvertent Disclosure of Material, Nonpublic Information**

If material, non-public information regarding the Company is inadvertently disclosed, no matter what the circumstances, by any employee, the person making or discovering that disclosure should immediately report the facts to the Company's Governance Officer or its Chief Executive Officer.

c. **Responding to Inquiries from the Press and Others**

If someone outside the Company, such as the news media, a securities analyst or investor, asks you questions either directly or through another person, do not attempt to answer them. You should obtain the name and telephone number of the person making the inquiry and immediately notify the Company's Governance Officer. If you have any questions concerning this requirement, you should contact the Governance Officer for clarification. DLH has designated spokespersons to deal with all inquiries in order to ensure appropriate and consistent responses. The designated spokesperson will not comment until an appropriate response is formulated based on the existing facts and circumstances. Keep in mind that the federal securities laws impose severe penalties for selective disclosure of material non-public information to certain individuals and not the public as a whole.

10. **General Terms**

a. **Insider Trading Compliance**

DLH has designated Victor J. DiGioia, Esq. the Company's Corporate Secretary as its current Governance Officer. Please direct your questions regarding any of the matters discussed in this Policy to Mr. DiGioia who can be reached at (212) 599-3322 or vdigioia@beckerlawyers.com or Mr. Zachary Parker, DLH's Chief Executive Officer, at (877) 523-9897 or zach.parker@dlhcorp.com.

b. **Certification**

All persons subject to this Policy must certify their understanding of, and intent to comply with, this Policy.

SCHEDULE I
EMPLOYEES SUBJECT TO QUARTERLY TRADING BLACK-OUTS

- all Executive Officers
- all persons at the level of Vice President, Senior Manager or higher
- any other personnel as determined from time to time by the Chief Executive Officer or the Governance Officer

CERTIFICATION

I certify that:

1. I have read and understand the DLH Holding Corp. Insider Trading and Confidentiality Policy (the "Policy"). I understand that the Governance Officer is available to answer any questions I have regarding the Policy.
2. Since the date the Policy became effective or such shorter period of time that I have been an employee of the Company, I have complied with the Policy.
3. I will continue to comply with the Policy for as long as I am subject to the Policy.

Print name: _____

Signature: _____

Date: _____

DLH HOLDINGS CORP.
SUBSIDIARIES OF REGISTRANT

Name*	Jurisdiction of Incorporation/Organization
DLH Solutions, Inc.	Georgia
Danya International, LLC	Maryland
Social & Scientific Systems, Inc.	Delaware
Irving Burton Associates, LLC	Virginia
DLH, LLC (formerly, Grove Resource Solutions, LLC)	Maryland

* In accordance with Item 601(b)(21) of Regulation S-K, the Company has omitted from this Exhibit the names of its subsidiaries which, considered in the aggregate or as a single subsidiary, do not constitute a significant subsidiary as defined in Rule 1-02(w) of Regulation S-X.

{N0362400 }

CONSENT OF REGISTERED INDEPENDENT PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (File Nos. 333-238882, 333-215405, 333-184912, 333-74478, 333-120423 and 333-272277) and Form S-8 (File Nos. 333-256329, 333-212702, 333-197374, 333-178830, 333-73426, 333-143951 and 333-225153) of DLH Holdings Corp. of our report dated December 4, 2024, relating to the consolidated financial statements and the effectiveness of DLH Holdings Corp.'s internal control over financial reporting, which appears in this Form 10-K.

/s/ WithumSmith+Brown, PC

East Brunswick, New Jersey
December 4, 2024

{N0297583 }

Certification

I, Zachary C. Parker, certify that:

1. I have reviewed this Annual Report on Form 10-K of DLH Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 4, 2024

/s/ Zachary C. Parker

Zachary C. Parker
 Chief Executive Officer
 (Principal Executive Officer)

{N0362407 }

Certification

I, Kathryn M. JohnBull, certify that:

1. I have reviewed this Annual Report on Form 10-K of DLH Holdings Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 4, 2024

/s/ Kathryn M. JohnBull
 Kathryn M. JohnBull
 Chief Financial Officer
 (Principal Accounting Officer)

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Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to 18 U.S.C Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Fiscal Year End Report of DLH Holdings Corp. (the "Company") on Form 10-K for the period ending September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, being, Zachary C. Parker, Chief Executive Officer, and Kathryn M. JohnBull, Chief Financial Officer and Principal Accounting Officer, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: December 4, 2024

/s/ Zachary C. Parker
Zachary C. Parker
Chief Executive Officer
(Principal Executive Officer)

/s/ Kathryn M. JohnBull
Kathryn M. JohnBull
Chief Financial Officer
(Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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