

The Charles Stark Draper Laboratory, Inc.

**Report on Federal Awards in Accordance with the
Uniform Guidance**

E.I.N. #042505372

June 30, 2023

The Charles Stark Draper Laboratory, Inc.
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June 30, 2023

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Report of Independent Auditors

To the Board of Directors of The Charles Stark Draper Laboratory, Inc.

Opinion

We have audited the accompanying financial statements of The Charles Stark Draper Laboratory, Inc. (the "Draper"), which comprise the statements of financial position as of June 30, 2023 and July 1, 2022, and the related statements of activities, and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Draper as of June 30, 2023 and July 1, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Draper and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, Draper changed the manner in which it accounts for leases in fiscal year 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud



may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

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

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

PriceWaterhouseCoopers LLP

Boston, Massachusetts
September 22, 2023

The Charles Stark Draper Laboratory, Inc.
Statements of Financial Position
June 30, 2023 and July 1, 2022

Assets	2023	2022
Current assets		
Cash and cash equivalents	\$ 137,006,080	\$ 115,571,681
Accounts receivable, net of allowance of \$1,803,434 and \$2,137,277 in 2023 and 2022, respectively	58,699,454	48,286,340
Unbilled contract costs and fees, net of allowance of \$5,080,956 and \$4,854,193 in 2023 and 2022, respectively	72,370,926	70,764,681
Other current assets	16,682,561	17,583,607
Total current assets	284,759,021	252,206,309
Long-term investments	189,003,071	174,697,447
Net investment in sales-type leases	276,147	-
Capital leases	-	491,482
Deferred charges and other assets	499,497	1,143,411
Deferred financing costs, net	-	22,476
Prepaid pension benefits	31,725,257	23,571,121
Property and equipment, net	226,274,535	223,571,348
Operating lease right-of-use assets	13,303,720	-
Total assets	<u>\$ 745,841,248</u>	<u>\$ 675,703,594</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued contract costs	\$ 54,002,648	\$ 56,905,958
Accrued compensation and related expenses	31,875,128	31,828,644
Current portion of notes payable	2,259,008	2,177,471
Current portion of bonds payable	3,150,000	3,065,000
Other accrued expenses	4,806,690	3,227,546
Total current liabilities	96,093,474	97,204,619
Accrued post-retirement benefits	4,099,968	4,839,948
Notes payable, long-term	3,706,043	5,965,052
Bonds payable, net of deferred financing costs	89,874,557	92,980,338
Operating lease liabilities, long-term	12,549,317	-
Deferred revenue and other long-term liabilities	54,342,581	43,305,736
Total liabilities	260,665,940	244,295,693
Net assets without donor restrictions	485,175,308	431,407,901
Total liabilities and net assets	<u>\$ 745,841,248</u>	<u>\$ 675,703,594</u>

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

The Charles Stark Draper Laboratory, Inc.
Statements of Activities
June 30, 2023 and July 1, 2022

	2023	2022
Operating revenues		
Gross revenue	\$ 750,188,115	\$ 653,364,541
Other income	4,012,437	4,782,286
Total operating revenues	<u>754,200,552</u>	<u>658,146,827</u>
Operating expenses		
Direct costs		
Subcontracts	174,732,937	171,010,373
Salaries and wages	163,773,684	139,225,674
Employee benefits	77,402,483	69,266,171
Materials, services, and rentals	53,874,189	38,707,513
Other; principally travel and equipment	62,372,123	48,724,001
Total direct costs	<u>532,155,416</u>	<u>466,933,732</u>
Indirect costs		
Salaries and wages	87,905,013	73,243,841
Employee benefits and vacations	33,218,221	32,906,623
Materials, services, and rentals	19,874,748	14,725,488
Depreciation and amortization	28,955,224	29,683,303
Facilities, communications, unallowables, and other	24,500,457	31,132,107
Total indirect costs	<u>194,453,663</u>	<u>181,691,362</u>
Total operating expenses	<u>726,609,079</u>	<u>648,625,094</u>
Increase in net assets without donor restrictions from operations	<u>27,591,473</u>	<u>9,521,733</u>
Non-operating gains (losses)		
Interest expense and fees	(4,097,436)	(4,226,463)
Investment return (net of investment costs)	15,855,013	(24,573,719)
Other non-operating income, net	5,373,452	21,759,858
Other components of net period benefit costs	6,791,095	14,117,206
Other changes in pension and post-retirement benefits	2,253,810	(9,597,046)
Total non-operating gains (losses), net	<u>26,175,934</u>	<u>(2,520,164)</u>
Increase in net assets without donor restrictions	53,767,407	7,001,569
Net assets without donor restrictions, beginning of year	431,407,901	424,406,332
Net assets without donor restrictions, end of year	<u>\$ 485,175,308</u>	<u>\$ 431,407,901</u>

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

The Charles Stark Draper Laboratory, Inc.
Statements of Cash Flows
June 30, 2023 and July 1, 2022

Cash flows from operating activities	2023	2022
Increase in net assets without donor restrictions	\$ 53,767,407	\$ 7,001,569
Adjustments to reconcile change in net assets without donor restrictions to net cash used by operating activities		
Depreciation and amortization	28,955,224	29,683,303
Realized and net change in unrealized gains (losses) on long-term investments	(12,919,627)	28,235,327
Other changes in pension and post-retirement benefits	(2,253,810)	9,597,046
Gain on disposal of property and equipment	(20,500)	-
Other non-cash adjustments	5,158,157	52,687
Changes in operating assets and liabilities		
Accounts receivable	(10,413,114)	(6,855,486)
Net investment in sales-type leases	215,335	-
Capital leases	-	455,089
Prepaid pension benefits	(8,154,136)	1,534,383
Unbilled contract costs and fees	(1,606,245)	29,434,408
Other current assets	901,046	718,269
Deferred charges and other assets	552,184	(1,189,332)
Accounts payable and accrued contract costs	39,902	4,145,272
Accrued compensation and related expenses	997,649	(27,497,385)
Deferred revenue	11,614,102	4,298,798
Other accrued expenses	(5,826,358)	(2,343,401)
Net cash provided by operating activities	<u>61,007,216</u>	<u>77,270,547</u>
Cash flows from investing activities		
Additions to property and equipment	(34,492,046)	(22,605,359)
Proceeds from sale of property and equipment	20,500	-
Timing differences on purchases and sales	1,550,806	1,867,251
Purchase of investment securities	(71,973,356)	(116,821,436)
Proceeds from sale of investment securities	<u>70,563,752</u>	<u>114,972,463</u>
Net cash used by investing activities	<u>(34,330,344)</u>	<u>(22,587,081)</u>
Cash flows from financing activities		
Repayment of debt	<u>(5,242,473)</u>	<u>(5,138,270)</u>
Net cash used by financing activities	<u>(5,242,473)</u>	<u>(5,138,270)</u>
Net increase in cash and cash equivalents	21,434,399	49,545,196
Cash and cash equivalents, beginning of year	<u>115,571,681</u>	<u>66,026,485</u>
Cash and cash equivalents, end of year	<u>\$ 137,006,080</u>	<u>\$ 115,571,681</u>
Supplemental disclosure of cash flow information		
Interest paid	\$ 4,050,172	\$ 4,216,274
Property and equipment in accounts payable and accrued contract costs	\$ 2,385,512	\$ 5,328,722
Lease liabilities from obtaining right-of-use assets	\$ 18,413,028	\$ -

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

The Charles Stark Draper Laboratory, Inc.

Notes to Financial Statements

June 30, 2023 and July 1, 2022

1. Background and Summary of Significant Accounting Policies

Corporate Organization and Purpose

The Charles Stark Draper Laboratory, Inc. (“Draper”) is a membership (nonstock), nonprofit Massachusetts Corporation. Draper engages in activities that contribute to the support and advancement of scientific research, technology and development, and in educational activities in the sciences and related subjects. Draper’s customers are primarily agencies of the U.S. government.

Draper intends to continue to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In the event of either liquidation or dissolution of Draper, its net assets would be distributed to one or more charitable tax-exempt organizations or governmental agencies.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America.

Fiscal Year

Draper’s fiscal year (“FY”) ends on the Friday closest to June 30th. The fiscal year may result in the last day of a fiscal year falling on a date other than on June 30th. Approximately every fifth year, Draper’s fiscal year will contain 53 weeks. There are 52 weeks in FY2023 and 53 weeks in FY2022.

Capitalized Software

Certain costs, as they relate to purchased hardware, software, and implementation activities have been capitalized in accordance with Accounting Standards Codification (“ASC”) 350-40, *Intangibles – Goodwill and Other – Internal-Use Software*.

Revenue Recognition

Revenue is presented under ASC Topic 606: Revenue from Contracts with Customers.

Draper delivers most of its services under long-term contracts with the U.S. government, and subcontracts with other contractors engaged in work for the U.S. government, that continue for longer than one year. Generally, Draper’s contracts with the U.S. government are subject to the Federal Acquisition Regulation (“FAR”), Defense Federal Acquisition Regulation Supplement (“DFARS”), Office of Management and Budget (“OMB”), and Cost Accounting Standards (“CAS”), which provide requirements and guidance on the structure of, and compliance with, contracts and types of costs that are allowable in establishing prices for the services provided under government contracts. Business with the U.S. government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, political developments abroad, and other factors.

Draper provides its services under variants of cost, fixed-price, and time-and-materials contract types. The nature of each contract and the services provided are evaluated when determining the revenue recognition method utilized for each contract.

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
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Revenue on most of Draper's contracts is recognized over time as it performs contractual performance obligations because of the continuous transfer of control to the customer. For U.S. government contracts, this continuous transfer of control to the customer is supported by contractual clauses that allow the customer to unilaterally terminate the contract for convenience, pay Draper for costs incurred plus a reasonable fee, and take control of any work in process. Similarly, for non-U.S. government contracts, the customer typically controls the work in process as evidenced by contractual termination clauses and by Draper's rights to payment for work performed to date plus a reasonable fee.

For performance obligations satisfied over time, Draper recognizes revenue on a percentage-of-completion basis using a cost input measure of progress. The percent complete is based on the ratio of costs incurred to total estimated costs at completion (i.e., cost-to-cost). Revenue is recognized this way if circumstances are such that total profit can be estimated with reasonable accuracy and ultimate realization is reasonably assured. Contract modifications, including changes to estimates of transaction price, typically change currently enforceable rights and obligations, and are accounted for as a cumulative adjustment to revenue.

Some contracts contain milestone delivery dates with customer acceptance terms and clauses that allow the customer to unilaterally terminate the contract for convenience but exclude clauses to pay Draper for costs incurred plus a reasonable profit upon termination. For these contracts, Draper recognizes revenue at a point in time, that is, when the customer indicates its acceptance of the milestone delivery.

Draper recognized revenue of \$749,847,909 and \$651,982,673 over time and \$4,352,643 and \$6,164,154 at a point in time during FY2023 and FY2022, respectively.

Recognizing revenue on long-term contracts involves significant estimates and judgments. The transaction price is the estimated amount of consideration Draper expects to receive for performance under its contracts with customers. Contract terms may include variable consideration, such as award and incentive fees, or other provisions such as significant financing components that can either increase or decrease the transaction price. Variable amounts generally are determined upon achievement of certain performance metrics, program milestones, or cost targets and may be based upon customer discretion. Draper includes variable consideration in the transaction price used to calculate revenue only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

For contracts with multiple performance obligations, Draper allocates transaction prices to each performance obligation based on the relative standalone selling price of each distinct performance obligation within the contract. Because Draper typically provides customized services and solutions that are specific to a single customer's requirements, standalone selling price is most often estimated based on expected costs plus a reasonable profit margin.

Estimating costs at completion is complex due to the nature of the services being performed and the length of certain contracts. Contract costs generally include direct costs, such as labor, materials, supplies, subcontract costs, other direct costs, and indirect costs identifiable with or allocable to a specific contract. Contract costs incurred for flexibly priced U.S. government contracts, including indirect costs, are subject to audit and adjustment by government agencies.

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

Changes in estimates of revenues, cost of revenues, or profits related to performance obligations satisfied over time are recognized in operating income in the period in which such changes are made for the contract inception-to-date effect of the changes. In cases when total expected costs exceed total estimated revenues for a performance obligation, Draper recognizes the total estimated loss in the period when the loss is determined.

For cost-plus type contracts, costs are reimbursed and recognized as revenue as they are incurred. Contract fees are recognized in proportion to costs incurred as the contracts are performed or otherwise as specified in the contract.

For U.S. government cost-type contracts, the customer generally pays Draper for its actual costs incurred plus associated fee within a short period of time. For non-U.S. government contracts, Draper typically receives interim payments as work progresses, although for some contracts, Draper receives advance payments from customers that may exceed costs incurred. Amounts billed and due from customers are classified as accounts receivable on the statements of financial position. Draper classifies advance payments and billings in excess of revenue recognized as deferred revenue in the statements of financial position. The advance payment typically is not considered a significant financing component because it is used to meet working capital demands that can be higher in the early stages of a contract. The portion of the payments that may be retained by the customer until final contract settlement is not considered a significant financing component because the intent is to protect the customer. Revenue recognized in excess of billings is classified as unbilled contract costs and fees, net of allowances in the statements of financial position.

Draper receives license and royalty payments in accordance with the terms of technology agreements. These payments are recorded as other income in the statements of activities.

Net Assets

The net assets of Draper primarily consist of the excess of operating revenues over operating expenses since commencement of operations, the changes in gains and losses on investments, and other non-operating income. Draper does not have any net assets with donor restrictions.

Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain 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. Actual results could differ from these estimates.

Deferred Financing Costs

The costs of securing financing are capitalized and amortized on the straight-line method over the life of the associated indebtedness. This method approximates the expense that would have been recognized using the effective interest method.

Deferred Charges

The difference between rental revenue recognized on a straight-line basis and the cash collected is recorded in deferred charges and other assets. The difference between commissions expense recognized on a straight-line basis and the cash paid is recorded in deferred charges.

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

Property and Equipment

Equipment with a unit cost of more than \$5,000 and having a useful life of more than one year are capitalized. Depreciation of owned equipment is computed on the straight-line method using three to five-year lives. Leasehold improvements are amortized on the straight-line method over the shorter of the useful life of the assets or the lease term. Building costs are depreciated on the straight-line method over lives of thirty-nine to forty years. Generally, building improvements are depreciated over the remaining useful life of the building.

When assets are retired or otherwise disposed, the assets and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in other non-operating income, net in the statements of activities.

In addition to the equipment and buildings acquired by Draper and investments it makes in leasehold improvements meeting its capitalization policy, all of which are reflected in the accompanying statements of financial position, Draper also uses certain government furnished equipment for which it is accountable to the U.S. government. Government furnished equipment is not reflected in Draper's statements of financial position as it does not hold title to those assets.

Leases

Draper accounts for leases, both as lessor and lessee, in accordance with ASC Topic 842: Leases ("Topic 842") in FY2023 and ASC Topic 840: Leases ("Topic 840") in FY2022 (see Recently Adopted Accounting Pronouncements below). In accordance with Topic 842, Draper determines if an arrangement contains a lease at inception. As a lessor, Draper treats a lease as a sales type lease if it transfers all the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing lease. If risks and reward or control aren't conveyed, the lease is treated as an operating lease.

Draper, as a lessee, determines if the lease is a financing or operating type lease. It then recognizes right-of-use assets representing Draper's right to use an underlying asset for the lease term and lease liabilities representing the obligation to make lease payments arising from the lease. Lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. When a lease does not contain an implicit rate, Draper uses its incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. The lease right-of-use asset also includes any lease pre-payments and excludes lease incentives and accrued rent. Draper does not have variable lease payments or residual value guarantees, and there are no restrictions or covenants imposed by leases in which Draper is a party.

Independent Research

Draper engages in independent research programs and expenses of such programs are charged to operations as incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on hand and highly liquid investments with maturities of three months or less when purchased. Draper maintains most of its cash and cash equivalents at two institutions.

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

Long-Term Investments

Investments with readily determinable fair values are based on quoted market prices. Insurance contracts utilize unobservable data points for fair market value. Draper utilizes net asset value ("NAV") as a practical expedient for estimates of fair value of its investments in private placements, including those within global equities, global fixed income, absolute return, real assets, and private capital. Realized gains and losses on investment securities are determined by the specific identification method. Dividends are recorded on the ex-dividend date and interest income is recorded on the accrual basis. Investment returns are reported net of related investment expenses.

Accounts Receivable

Generally, Draper's payment terms with its customers are between thirty and forty-five days. All receivables older than 150 days are fully reserved. Contracts that contain contractual arrangements that delay payment beyond one fiscal year and those delayed payments are classified as long-term accounts receivable.

Advertising

Draper engages in general advertising. These costs are expensed when advertising programs take place.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-02, Leases (Topic 842) as amended ("ASU 2016-02"). ASU 2016-02 generally requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. ASU No. 2020-05 "Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities" deferred the effective date of the new lease standard to fiscal years beginning after December 15, 2021. Draper met the conditions of ASU No. 2020-05, and accordingly, deferred its adoption of Topic 842.

Draper adopted ASU 2016-02 effective July 2, 2022, and elected the modified retrospective approach by which it will not restate comparative periods. Draper elected the package of practical expedients permitted under the transition guidance, which allows it to carry forward its historical lease classification, its assessment on whether a contract is or contains a lease, and its initial direct costs for any leases that exist before the adoption of the new standard. Draper has lease agreements with lease and non-lease components. It did not elect the practical expedient to combine these components. On July 2, 2022, Draper recognized a right-of-use asset of \$7,665,296 and total lease liabilities of \$8,219,525, both of which are included in the statements of financial position. There was no cumulative effect to the net assets or the change in net assets.

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

2. Long-Term Investments

Draper's investment portfolio is managed by Agility, acting as Draper's outsourced chief investment officer. In this capacity, Agility invests with full discretion on Draper's behalf, adhering to the investment guidelines set forth in the investment policy statement approved by the Finance Committee of Draper's Board of Directors, ("BOD"). Draper's investments are presented at fair value in accordance with GAAP. Draper measures investment portfolio assets using the month-end date closest to Draper's fiscal year-end date. There were capital commitments of \$7,077,309 and \$10,295,898 as of June 30, 2023 and 2022, respectively, which are expected to be funded from the existing long-term investment assets.

Draper's long-term investment portfolio consists of the following as of June 30, 2023 and July 1, 2022:

	2023	2022
Investment securities		
Cash and money market mutual funds	\$ 1,238,268	\$ 3,136,046
Global equity	92,079,112	77,521,936
Global fixed income	41,452,465	31,610,754
Absolute return	26,437,036	32,049,820
Real assets	11,480,755	11,195,264
Private capital	15,376,133	16,309,162
Insurance contracts and other	829,973	661,268
Total investment securities at fair value	<u>\$ 188,893,742</u>	<u>\$ 172,484,250</u>
Other investments	<u>109,329</u>	<u>2,213,197</u>
Total investment securities at amortized cost	<u>\$ 109,329</u>	<u>\$ 2,213,197</u>
Total long-term investments	<u><u>\$ 189,003,071</u></u>	<u><u>\$ 174,697,447</u></u>

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

The following tables present information about the assets that are measured at fair value on a recurring basis as of June 30, 2023 and July 1, 2022 and indicate the fair value hierarchy of valuation techniques Draper utilized to determine such fair value:

					NAV as Practical Expedient
Investment securities	June 30, 2023	Level 1 Assets	Level 2 Assets	Level 3 Assets	
Cash and money market mutual funds	\$ 1,238,268	\$ 1,238,268	\$ -	\$ -	\$ -
Global equity funds	92,079,111	47,328,854	-	-	44,750,257
Global fixed income	41,452,465	23,649,395	-	-	17,803,070
Absolute return	26,437,036	-	-	-	26,437,036
Real assets	11,480,756	8,380,581	-	-	3,100,175
Private capital	15,376,133	-	-	-	15,376,133
Insurance contracts and other	829,973	-	541,945	288,028	-
	<u>\$ 188,893,742</u>	<u>\$ 80,597,098</u>	<u>\$ 541,945</u>	<u>\$ 288,028</u>	<u>\$ 107,466,671</u>

					NAV as Practical Expedient
Investment securities	July 1, 2022	Level 1 Assets	Level 2 Assets	Level 3 Assets	
Cash and money market mutual funds	\$ 3,136,046	\$ 3,136,046	\$ -	\$ -	\$ -
Global equity funds	77,521,935	35,157,530	-	-	42,364,405
Global fixed income	31,610,753	17,530,294	-	-	14,080,459
Absolute return	32,049,820	-	-	-	32,049,820
Real assets	11,195,265	8,219,867	-	-	2,975,398
Private capital	16,309,162	-	-	-	16,309,162
Insurance contracts and other	661,269	-	403,294	257,975	-
	<u>\$ 172,484,250</u>	<u>\$ 64,043,737</u>	<u>\$ 403,294</u>	<u>\$ 257,975</u>	<u>\$ 107,779,244</u>

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In determining fair value, the use of various valuation approaches, including market, income, and cost approaches, is permitted.

A fair value hierarchy has been established based on whether the inputs to valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The Charles Stark Draper Laboratory, Inc.
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The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by Draper for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 – Valuations based upon observable inputs that reflect quoted prices in active markets for identical assets and liabilities. These include cash and money market funds, mutual funds, exchange traded funds, or public equities.

Level 2 – Valuations based upon: (i) quoted market prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active; or (iii) other significant market-based inputs, which are observable, either directly or indirectly. These include variable annuities associated with the 457(b) deferred compensation plan.

Level 3 – Valuations based upon unobservable inputs that are significant to the overall fair value measurements. These include insurance contracts associated with the 457(b) deferred compensation plan.

Investments managed by external managers in fund structures that are not readily marketable are reported at fair value utilizing the most current information provided by the external manager, subject to assessments that the information is representative of fair value and in consideration of any factors deemed pertinent to the fair value measurement. These investments are shown in the NAV as Practical Expedient column.

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The below tables present the redemption terms and restrictions on Draper's investments measured using NAV as a practical expedient as of June 30, 2023 and July 1, 2022, respectively.

Redemption Terms as of June 30, 2023

<u>Assets</u>	<u>Fair value</u>	<u>Redemption terms</u>	<u>Days notice</u>
Global equities	\$ 44,750,257	Range from daily to 12 months, with one fund subject to a 25% gate	30-90 days
Global fixed income	17,803,070	Range from daily to 3 months	5-60 days
Absolute return	26,437,036	Range from 30 days to 12 months, with certain funds subject to 8.33% to 100% gates and/or additional lock-up provisions, while others are not available for redemption	45-100 days
Real assets	3,100,175	Range from daily to 1 month	1-30 days
Private capital	15,376,133	Illiquid	Not applicable
	<u>\$ 107,466,671</u>		

Redemption Terms as of July 1, 2022

<u>Assets</u>	<u>Fair value</u>	<u>Redemption terms</u>	<u>Days notice</u>
Global equities	\$ 42,364,405	Range from 14 days to 12 months, with one fund subject to a 25% gate	3-90 days
Global fixed income	14,080,459	Range from daily to 3 months	5-60 days
Absolute return	32,049,820	Range from 90 days to 12 months, with certain funds subject to 8.33% to 100% gates and/or additional lock-up provisions, while others are not available for redemption	45-100 days
Real assets	2,975,398	1 month	30 days
Private capital	16,309,162	Illiquid	Not applicable
	<u>\$ 107,779,244</u>		

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3. Property and Equipment

Property and equipment is stated at cost. The following is a summary of property and equipment at cost, less accumulated depreciation, as of June 30, 2023 and July 1, 2022:

	<u>2023</u>	<u>2022</u>
Data processing equipment	\$ 83,239,485	\$ 72,266,629
Lab and other equipment	175,419,980	164,427,035
Building and leasehold improvements	191,917,401	189,986,483
Building	69,266,323	69,266,323
Land	32,495,864	32,495,864
Construction in progress	25,340,983	18,914,126
	<u>577,680,036</u>	<u>547,356,460</u>
Less: Accumulated depreciation	351,405,501	323,785,112
Property and equipment, net	<u>\$ 226,274,535</u>	<u>\$ 223,571,348</u>

Depreciation expense was \$28,849,486 and \$29,603,970 for FY2023 and FY2022, respectively, while amortization expense was \$158,425 and \$132,021 for FY2023 and FY2022, respectively. Draper capitalizes interest cost incurred during the period of construction of capital assets. Interest costs capitalized during FY2023 and FY2022 were \$227,831 and \$51,268, respectively.

During FY2022, Draper exercised its right of first offer under the terms of the Master Deed of One Hampshire at Kendall Square Condominium, as subsequently modified, to arrange the sale of condominiums at One Hampshire Street between the other condominium owner and a third-party. Draper earned net proceeds related to this transaction, which is recorded in other non-operating income, net in the statement of activities.

4. Capital Facilities Allowances and Non-reimbursed Expenses

Capital facilities allowance is an imputed cost related to the cost of Draper's capital committed to facilities used to support sponsored work. Capital facilities allowances of \$7,178,224 in FY2023 and \$1,997,089 in FY2022 are included in the statements of activities.

In FY2023 and FY2022, certain operating expenses were either subsidized by Draper or were not reimbursed under the terms of Draper's contracts with its various customers. The cost of total Draper funded projects was \$14,833,373 and \$30,608,465 for FY2023 and FY2022, respectively. In addition, total non-reimbursed operating expenses included in indirect costs were \$7,245,865 and \$10,037,943 for FY2023 and FY2022, respectively, and consist of unallowable personnel and administrative-related expenses.

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5. Commitments and Contingencies

During FY2022, the Defense Contract Management Agency (“DCMA”) and Draper settled final indirect rates for FY2016 through FY2019. The application of the settled rates were recorded in the FY2022 financials. On July 15, 2023, DCMA and Draper settled indirect rates for FY2020. The application of FY2020 settled rates will be reflected in Draper’s FY2024 financials. Audits of FY2021 and FY2022 are complete, however, rates have not been finalized.

Draper is subject to routine legal proceedings incidental to its business. While the ultimate liability from the proceedings is difficult to determine, in the opinion of management, the results of these proceedings will not have a material adverse effect on Draper’s financial position or results of operations.

Draper offers its employees an interest-free loan program in connection with a third-party financial institution (“Institution”). Employees are allowed to borrow from the Institution, one-time only, up to \$10,000 to be paid back via 36 equal monthly payments. Draper pays the Institution interest expense associated with each employee’s loan. In the event of a default by the borrower and after all collection attempts have been made by the Institution, Draper is responsible to pay the Institution the related outstanding principal and interest balance. Outstanding borrowings by employees were \$863,759 and \$682,303 at the end of FY2023 and FY2022, respectively.

6. Liquidity and Availability of Financial Assets

Draper’s financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 137,006,080	\$ 115,571,681
Accounts receivable, net of allowances	58,699,454	48,286,340
Unbilled contract costs and fees, net of allowances	72,370,926	70,764,681
Investments redeemable within one year	148,829,928	132,713,840
Total financial assets available within one year	<u>\$ 416,906,388</u>	<u>\$ 367,336,542</u>

Draper structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Draper invests cash in excess of current liquidity needs in Federal Deposit Insurance Corporation-insured cash sweep deposit accounts. To further manage liquidity needs, Draper has committed lines of credit in the amount of \$70,000,000 that increase beginning in FY2024 to \$100,000,000 between October and March (see Note 8).

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Investments (see Note 2) have been generated from operating profits, monetization of unused marketable real estate and cumulative returns on investment purchases. As such, none of Draper's investments are subject to donor restrictions. Certain investments are subject to lock-up provisions that extend beyond the next year and, therefore, have been excluded from the above table. Planned withdrawals from investments for current operations are reviewed with the Budget Committee of the BOD as part of the annual budget process. Additionally, the BOD has the authority to approve additional withdrawals to meet unplanned general expenditures, liabilities or other obligations, if necessary. No investment withdrawals were made in FY2023 and FY2022 nor are any planned at this time.

7. Pension and Other Post-Retirement Benefit Plans

Draper has two defined benefit pension plans: the Retirement Plan for Employees ("RPE") and the floor component of the Retirement Plan for Draper Employees ("RPDE") in FY2023. The Supplemental Retirement Plan for Corporate Officers ("SRPCO") was terminated in FY2022. Draper has one post-retirement medical benefit plan, the Retiree Medical Plan ("RMP") that provides health care benefits to retired employees. Service costs related to pension costs are reported in employee benefits and vacations in the statements of activities within operating activities as an indirect cost. Other components of net period benefit costs are reported in a separate line item on the statements of activities within the non-operating section. The actuarial gains and losses are recorded in other changes in pension and post-retirement benefits as a part of non-operating activities in the statements of activities. Draper measures benefit obligations and plan assets using a month-end date closest to Draper's fiscal year-end date.

The following schedules provide summary information about Draper's benefit plans for the years ended June 30, 2023 and July 1, 2022:

	Pension Benefits		Medical Benefits	
	2023	2022	2023	2022
Benefit obligation at end of year	\$ 103,856,612	\$ 108,423,542	\$ 19,847,530	\$ 20,735,727
Fair value of plan assets at end of year	127,064,632	125,105,546	24,264,799	22,623,958
Funded (unfunded) status of the plans	<u>\$ 23,208,020</u>	<u>\$ 16,682,004</u>	<u>\$ 4,417,269</u>	<u>\$ 1,888,231</u>
Statements of Financial Position				
Noncurrent assets	\$ 27,307,988	\$ 23,571,121	\$ 4,417,269	\$ -
Noncurrent liabilities	(4,099,968)	(6,889,117)	-	1,888,231
Funded (unfunded) status of the plans	<u>\$ 23,208,020</u>	<u>\$ 16,682,004</u>	<u>\$ 4,417,269</u>	<u>\$ 1,888,231</u>
Net period benefit cost	<u>\$ (2,462,072)</u>	<u>\$ (7,627,079)</u>	<u>\$ (1,466,451)</u>	<u>\$ (1,521,008)</u>
Amounts not yet reflected in net periodic benefit cost and included in net assets without donor restrictions:				
Accumulated actuarial loss (gain)	\$ (824,626)	\$ 883,014	\$ (9,630,367)	\$ (8,081,081)
Prior service costs (benefits)	743,003	775,307	(1,242,504)	(2,277,924)
Net (gain) loss	<u>\$ (81,623)</u>	<u>\$ 1,658,321</u>	<u>\$ (10,872,871)</u>	<u>\$ (10,359,005)</u>

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	<u>RPE</u>	<u>RPDE</u>	<u>Total Pension Benefits</u>	<u>Medical Benefits</u>
At June 30, 2023				
Benefit obligation at end of year	\$ 94,016,295	\$ 9,840,317	\$ 103,856,612	\$ 19,847,530
Fair value of plan assets at end of year	89,916,327	37,148,305	127,064,632	24,264,799
Funded (Unfunded) status of the plans	<u>\$ (4,099,968)</u>	<u>\$ 27,307,988</u>	<u>\$ 23,208,020</u>	<u>\$ 4,417,269</u>
	<u>RPE</u>	<u>RPDE</u>	<u>Total Pension Benefits</u>	<u>Medical Benefits</u>
At July 1, 2022				
Benefit obligation at end of year	\$ 98,286,355	\$ 10,137,187	\$ 108,423,542	\$ 20,735,727
Fair value of plan assets at end of year	91,397,238	33,708,308	125,105,546	22,623,958
Funded (Unfunded) status of the plans	<u>\$ (6,889,117)</u>	<u>\$ 23,571,121</u>	<u>\$ 16,682,004</u>	<u>\$ 1,888,231</u>

The RPE provides retirement benefits paid from the net assets available in the plan for plan benefits. Retirement benefits are paid to participants in equal monthly payments beginning in the month following retirement and continue until death. Payments to a surviving spouse are made at a reduced level. This plan comprises approximately 76% of Draper's pension and post-retirement health insurance and prescription drug benefit obligations as of June 30, 2023.

The RPE was frozen in FY2018, and as a result, future benefits ceased to accrue to participants. In accordance with CAS 413-50(c)(12), Draper determined, based on CAS actuarial assumptions (which differ from GAAP), that the plan was in a surplus position at the time of the freeze. Draper further determined that due to the surplus funding status and the government's participation rate in the plan, under federal CAS standards, the government is entitled to its portion of the CAS surplus. As of June 28, 2019, Draper recognized a \$10,898,808 liability to reflect the anticipated settlement as estimated and proposed by it to the government in April 2019. On November 27, 2019, Draper amended the settlement proposal to include additional contract types resulting in an adjustment to the government's participation rate, bringing the adjusted liability to \$11,107,082. On August 26, 2022, DCMA informed Draper that the lump sum cash out payments Draper made to terminated vested retirees in June 2017 triggered a plan amendment. As a result, the actuarial accrued liability should reflect the lump sum cash out of \$2,518,841, which increased the liability by \$1,879,932 to \$12,987,014, after factoring in Government participation. This adjustment was reflected in the FY 2023 financial statements in other non-operating income, net within the statements of activities and deferred revenue and other long-term liabilities within the statements of financial position.

The RPDE, which contains an embedded defined benefit ("DB") component as part of the plan, provides a surviving spouse's benefit, which provides a supplement for married participants who transferred to Draper from the Massachusetts Institute of Technology prior to July 2, 1976, and a minimum pension benefit, which provides a minimum level of retirement benefits based upon years of service and final average salary, through a group annuity. The plan was frozen during 2009.

The RPDE also has a defined contribution feature available to all benefit-eligible employees in which Draper contributes ten percent of participating employees' earnings, as defined, and employees contribute five percent. Employees vest in the employer contributions over a five-year period.

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Draper's contributions to the defined contribution plan net of employee forfeitures were \$25,254,606 and \$23,078,828 for FY2023 and FY2022, respectively.

SRPCO was an unfunded, nonqualified retirement plan for corporate officers. The purpose of the SRPCO was to assure that certain corporate officers receive a reasonable level of retirement compensation in relation to their level of compensation and length of service at Draper. No payouts were made in FY2022. SRPCO was terminated in FY2022.

The RMP provides post-retirement Medicare supplemental health insurance and prescription drug benefits to Draper retirees. Draper will continue to provide the same capped level of contribution for each participant in the post-retirement medical plan.

Draper also has a Supplemental Retirement Plan ("SRP"). The SRP is a defined contribution plan sponsored by Draper covering all employees who normally work more than 20 hours per week. Participants may contribute on a pre-tax or after-tax basis. This is an employee contributory plan and Draper does not match employee contributions.

Benefit Obligations

The components of the change in total benefit obligation and the applicable assumptions for determining benefit obligations are shown below:

	Pension Benefits		Medical Benefits	
	2023	2022	2023	2022
Benefit obligation at beginning of year	\$ 108,423,542	\$ 131,968,325	\$ 20,735,727	\$ 26,005,230
Service cost	-	62,418	699,532	894,741
Interest cost	4,376,982	3,129,710	899,569	666,760
Plan participants' contributions	-	-	232,309	172,189
Change in assumptions	(4,509,381)	(21,942,857)	(1,592,216)	(5,918,297)
Benefits paid	(4,434,531)	(4,794,054)	(1,127,391)	(1,084,896)
Benefit obligation at end of year	<u>\$ 103,856,612</u>	<u>\$ 108,423,542</u>	<u>\$ 19,847,530</u>	<u>\$ 20,735,727</u>
Accumulated benefit obligation	<u>\$ 103,856,612</u>	<u>\$ 108,423,542</u>		
Weighted-average assumptions				
Discount rate	4.88%	4.33%	5.00%	4.50%
Rate of compensation increase	N/A	3.00%	N/A	N/A

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Benefit Cost

The components of net periodic benefit cost recognized in the statements of activities, and the applicable assumptions for determining benefit costs are shown below:

	Pension Benefits		Medical Benefits	
	2023	2022	2023	2022
Service cost	\$ -	\$ 62,418	\$ 699,532	\$ 894,741
Interest cost	4,376,982	3,129,710	899,569	666,760
Expected return on plan assets	(6,871,358)	(6,892,763)	(1,564,273)	(1,739,900)
Gain on curtailment	-	(710,301)	-	-
Amortization of prior service cost	32,304	32,304	(1,035,420)	(959,290)
Amortization of net actuarial loss	-	(3,248,447)	(465,859)	(383,319)
Net periodic benefit cost	<u>\$ (2,462,072)</u>	<u>\$ (7,627,079)</u>	<u>\$ (1,466,451)</u>	<u>\$ (1,521,008)</u>
Changes in plan assets and benefit obligations recognized in net assets without donor restrictions				
Net loss (gain)	\$ (1,707,640)	\$ 6,169,025	\$ (2,015,145)	\$ (1,092,888)
Amortizations:				
RPE	-	(303,101)	-	-
RPDE	-	3,481,401	-	-
RMP	-	-	1,501,279	1,342,609
Total Amortizations	-	3,178,300	1,501,279	1,342,609
Total recognized in net assets without donor restrictions	<u>\$ (1,707,640)</u>	<u>\$ 9,347,325</u>	<u>\$ (513,866)</u>	<u>\$ 249,721</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ (4,169,712)</u>	<u>\$ 1,720,246</u>	<u>\$ (1,980,317)</u>	<u>\$ (1,271,287)</u>
Weighted-average assumptions				
Discount rate	4.33%	2.53%	4.50%	2.65%
Expected long-term return on plan assets	5.87%	5.77%	7.00%	6.75%
Rate of compensation increase	0.00%	3.00%	N/A	N/A

Amortization of pension benefit prior service costs, transition obligations, and actuarial gains and losses in FY2024 are expected to be \$0, \$0 and (\$155,534), respectively. Amortization of medical benefit prior service costs and gains and losses in FY2024 are expected to be \$0.

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Assumptions

The discount rate used for the RPE and RPDE plans is determined annually based on census information, the timing of future benefit payments, and yield curve data from the FTSE Yield Curve. The RMP discount rate is estimated comparing the single equivalent rate such that the present value of the plan's cash flows using the single rate equals the present value of those cash flows, using both the Mercer and the FTSE Yield Curve, averaging those single equivalent rates, and rounding to five basis points.

The expected long-term rate of return assumption represents the expected average rate of return on current and future funds invested to provide for benefit obligations. This assumption is determined based on the following factors: historical market returns, historical plan return data, anticipated long-term asset allocation and return of the plans and plan expenses. Draper recognizes differences between the expected return on assets and the actual return over the remaining service life of the applicable participants. This amount is included in net periodic pension cost as a component of the amortization of actuarial gains and losses and is expected to be (\$155,534) in FY2024.

Plan Assets

The components of the change in total plan assets are shown below:

	Pension Benefits		Medical Benefits	
	2023	2022	2023	2022
Fair value of plan assets at beginning of year	\$ 125,105,546	\$ 146,519,575	\$ 22,623,958	\$ 26,070,042
Actual return on plan assets	4,095,977	(20,316,322)	1,987,202	(3,085,509)
Employer contributions	2,324,000	3,851,000	548,721	552,132
Plan participants' contributions	-	-	232,309	172,189
Benefits paid	(4,506,166)	(4,994,584)	(1,127,391)	(1,084,896)
Fair value adjustments	45,275	45,877	-	-
Fair value of plan assets at end of year	<u>\$ 127,064,632</u>	<u>\$ 125,105,546</u>	<u>\$ 24,264,799</u>	<u>\$ 22,623,958</u>

The investment objectives for the assets of the plans are to meet or exceed current and future benefit payments while minimizing employer contributions. Investment policies and strategies governing the assets of the plans are designed to achieve investment objectives within the constraints of a prudent level of portfolio risk and diversification. Risk management practices include the use of investment managers and maintenance of a portfolio diversified by asset class, investment approach and securities holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they come due.

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Draper's pension plans weighted-average asset allocations by asset category are as follows:

June 30, 2023	RPE			RPDE			Total Pension
	Fair Value	Asset Allocation		Fair Value	Asset Allocation		
		Target	Actual		Target	Actual	
Equity	\$ 21,965,857	24%	24%	\$ 17,763,318	50%	48%	\$ 39,729,175
Fixed income	61,848,002	70%	69%	-	0%	0%	61,848,002
Growth fixed income	2,716,255	3%	3%	-	0%	0%	2,716,255
Real assets	2,624,053	3%	3%	-	0%	0%	2,624,053
Insurance contracts	728,485	0%	1%	19,384,987	50%	52%	20,113,472
Cash & cash equivalents	33,675	0%	0%	-	0%	0%	33,675
	<u>\$ 89,916,327</u>			<u>\$ 37,148,305</u>			<u>\$ 127,064,632</u>

July 1, 2022	RPE			RPDE			Total Pension
	Asset Allocation			Asset Allocation			
	Fair Value	Target	Actual	Fair Value	Target	Actual	
Equity	\$ 20,827,054	24%	23%	\$ 15,152,733	50%	45%	\$ 35,979,787
Fixed income	64,435,422	70%	70%	-	0%	0%	64,435,422
Growth fixed income	2,733,439	3%	3%	-	0%	0%	2,733,439
Real assets	2,623,580	3%	3%	-	0%	0%	2,623,580
Insurance contracts	742,797	0%	1%	18,555,575	50%	55%	19,298,372
Cash & cash equivalents	34,946	0%	0%	-	0%	0%	34,946
	<u>\$ 91,397,238</u>			<u>\$ 33,708,308</u>			<u>\$ 125,105,546</u>

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The following tables present information about the pension plan assets that are measured at fair value on a recurring basis as of June 30, 2023 and July 1, 2022, respectively, and indicate the fair value hierarchy of the valuation techniques Draper utilized to determine such fair value:

					NAV as Practical Expedient
Investment securities	June 30, 2023	Level 1 Assets	Level 2 Assets	Level 3 Assets	
Cash & cash equivalents	\$ 33,675	\$ 33,675	\$ -	\$ -	\$ -
Equity	39,729,175	-	-	-	39,729,175
Fixed income	61,848,002	-	-	-	61,848,002
Growth fixed income	2,716,255	-	-	-	2,716,255
Real assets	2,624,053	-	-	-	2,624,053
Insurance contracts	20,113,472	-	-	20,113,472	-
	<u>\$ 127,064,632</u>	<u>\$ 33,675</u>	<u>\$ -</u>	<u>\$ 20,113,472</u>	<u>\$ 106,917,485</u>

					NAV as Practical Expedient
Investment securities	July 1, 2022	Level 1 Assets	Level 2 Assets	Level 3 Assets	
Cash & cash equivalents	\$ 34,946	\$ 34,946	\$ -	\$ -	\$ -
Equity	35,979,787	-	-	-	35,979,787
Fixed income	64,435,422	-	-	-	64,435,422
Growth fixed income	2,733,439	-	-	-	2,733,439
Real assets	2,623,580	-	-	-	2,623,580
Insurance contracts	19,298,372	-	-	19,298,372	-
	<u>\$ 125,105,546</u>	<u>\$ 34,946</u>	<u>\$ -</u>	<u>\$ 19,298,372</u>	<u>\$ 105,772,228</u>

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by Draper for financial instruments measured at fair value on a recurring basis in its pension plans. The three levels of inputs are as follows:

Level 1 – Valuations based upon observable inputs that reflect quoted prices in active markets for identical assets and liabilities. These include cash and cash equivalents.

Level 2 – Valuations based upon: (i) quoted market prices for similar assets or liabilities in active markets; (ii) quoted prices for identical or similar assets or liabilities in markets that are not active; or (iii) other significant market-based inputs, which are observable, either directly or indirectly.

Level 3 – Valuations based upon unobservable inputs that are significant to the overall fair value measurements. These include insurance contracts.

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The change in the fair value of Draper's pension plan assets with unobservable data points is shown below:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Insurance Contracts	
	2023	2022
Balance at beginning of fiscal year	\$ 19,298,373	\$ 14,485,918
Purchases	4,389,840	9,064,663
Total gains	856,375	532,828
Benefits paid	(4,431,115)	(4,785,036)
Balance at end of fiscal year	<u>\$ 20,113,473</u>	<u>\$ 19,298,373</u>

Draper's RMP weighted-average asset allocations by asset category are as follows:

June 30, 2023	Fair Value	Asset Allocation	
		Target	Actual
Equity	\$ 15,957,731	64%	66%
Fixed income	4,453,551	20%	18%
Growth fixed income	1,850,548	8%	8%
Real assets	1,977,854	8%	8%
Cash & cash equivalents	25,115	0%	0%
	<u>\$ 24,264,799</u>		

July 1, 2022	Fair Value	Asset Allocation	
		Target	Actual
Equity	\$ 14,177,977	64%	63%
Fixed income	4,487,361	20%	20%
Growth fixed income	1,711,607	8%	8%
Real assets	2,051,863	8%	8%
Cash & cash equivalents	195,150	0%	1%
	<u>\$ 22,623,958</u>		

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The following tables present information about fair value hierarchy of the RMP:

		Level 1	Level 2	Level 3	NAV as Practical Expedient
Investment securities	June 30, 2023	Assets	Assets	Assets	
Cash & cash equivalents	\$ 25,115	\$ 25,115	\$ -	\$ -	\$ -
Equity	15,957,731	10,080,673	-	-	5,877,058
Fixed income	4,453,551	1,665,753	-	-	2,787,798
Growth fixed income	1,850,548	1,850,548	-	-	-
Real assets	1,977,854	-	-	-	1,977,854
Insurance contracts	-	-	-	-	-
	<u>\$ 24,264,799</u>	<u>\$ 13,622,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,642,710</u>

		Level 1	Level 2	Level 3	NAV as Practical Expedient
Investment securities	July 1, 2022	Assets	Assets	Assets	
Cash & cash equivalents	\$ 195,150	\$ 195,150	\$ -	\$ -	\$ -
Equity	14,177,977	8,829,021	-	-	5,348,956
Fixed income	4,487,361	1,667,723	-	-	2,819,638
Growth fixed income	1,711,607	1,711,607	-	-	-
Real assets	2,051,863	-	-	-	2,051,863
Insurance contracts	-	-	-	-	-
	<u>\$ 22,623,958</u>	<u>\$ 12,403,501</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,220,457</u>

Contributions and Benefits

Draper anticipates making contributions of \$3,030,000 and \$587,392 to the RPE and RMP plans respectively in FY2024. There are no expected contributions in FY2024 for the RPDE plan.

Estimated future benefit payments, which reflect future service as appropriate, are as follows:

Fiscal Year	Pension Benefits	Medical Benefits
2024	\$ 15,772,520	\$ 1,174,784
2025	5,751,316	1,245,344
2026	5,946,483	1,288,155
2027	6,238,520	1,311,290
2028	6,325,243	1,342,432
2029-2033	32,732,424	7,071,203

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

8. Lines of Credit

Draper has an unsecured \$45,000,000 line of credit at Bank of America Corporation (“BoA”) that is renewed annually. Beginning in FY2024, the line of credit increases to \$75,000,000 between October and March. Additionally, Draper has a \$25,000,000 line of credit, secured by investments, at Eastern Bank that was renewed on May 9, 2023 with a termination date of April 15, 2026. Draper had no outstanding balances on its lines of credit as of June 30, 2023, and July 1, 2022, respectively.

9. Notes Payable

On May 11, 2018, Draper entered into a capital equipment financing arrangement with Banc of America Leasing & Capital, LLC, a subsidiary of BoA, with a maximum borrowing limit of \$15,000,000. Outstanding notes payable are secured by equipment and are summarized below as of June 30, 2023 and July 1, 2022.

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2023</u>	<u>2022</u>
May, 2025	4.12%	\$ 1,894,378	\$ 2,825,033
June, 2025	4.09%	198,112	291,264
November, 2025	4.36%	878,212	1,215,443
October, 2026	2.65%	1,019,533	1,308,259
December, 2026	2.96%	1,974,816	2,502,524
		<u>\$ 5,965,051</u>	<u>\$ 8,142,523</u>

Interest paid on these notes was \$253,567 and \$333,636 in FY2023 and FY2022, respectively.

Draper borrowed \$0 in FY2023 and FY2022, respectively on capitalized equipment.

10. Bonds Payable

In March 2018, Draper issued \$65,515,000 of Series 2018 taxable bonds (“2018 Bonds”). The proceeds were used to finance and refinance certain capital projects, pay certain costs of issuance, and fund other general corporate purposes. The 2018 Bonds are interest only until September 1, 2031, mature in two tranches in 2038 and 2048, and bear interest at 4.19% and 4.39%, respectively. The 2018 Bonds have no restrictive covenants of a financial nature.

In January 2015, Draper issued \$50,000,000 of Series 2015 taxable bonds (“2015 Bonds”). The proceeds, together with other available funds, were used by Draper to advance refund, redeem, and defease the 2008 Series bonds and to pay certain costs of issuance. The 2015 Bonds mature in 16 separate tranches on September 1 of each year from 2015 to 2030 and bear interest at various rates between 0.40% and 3.59%. The 2015 Bonds have no restrictive covenants of a financial nature.

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

The following is a summary of Draper's bonds payable as of June 30, 2023 and July 1, 2022:

	<u>2023</u>	<u>2022</u>
Outstanding bonds	\$ 93,655,000	\$ 96,720,000
Less: deferred financing costs	(630,443)	(674,662)
Total bonds payable	<u>\$ 93,024,557</u>	<u>\$ 96,045,338</u>

2015 Bond Series

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Maturity Amount</u>
September, 2023	2.89%	\$ 3,150,000
September, 2024	3.04%	3,240,000
September, 2025	3.14%	3,340,000
September, 2026	3.24%	3,445,000
September, 2027	3.34%	3,555,000
Thereafter	3.44% - 3.59%	11,410,000
		<u>\$ 28,140,000</u>

2018 Bond Series

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Maturity Amount</u>
September, 2023		\$ -
September, 2024		-
September, 2025		-
September, 2026		-
September, 2027		-
Thereafter	4.19% - 4.39%	65,515,000
		<u>\$ 65,515,000</u>

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11. Asset Retirement Obligations (“ARO”) and Environmental Remediation Liability

ARO is the financial liability associated with environmental remediation costs related to the eventual retirement of Draper’s headquarter building. In FY2023 and FY2022, Draper recognized the following changes to the fair value of its conditional asset retirement obligations which is reflected in deferred revenue and other long-term liabilities:

	<u>2023</u>	<u>2022</u>
Fair value of liability at beginning of year	\$ 7,116,467	\$ 6,900,616
Liabilities settled	(31,809)	(28,431)
Accretion of fair value	251,923	244,282
Fair value of liability at end of year	<u>\$ 7,336,581</u>	<u>\$ 7,116,467</u>

In FY2007, Draper established a \$1,922,142 liability for environmental cleanup costs associated with soil contamination at the Bedford test facility under the requirements of ASC 410-30, *Asset Retirement and Environmental Obligations – Environmental Obligations*. Draper has compiled estimates of the cleanup costs under various scenarios and will update those estimates as conditions change in future periods. Due to the long-term nature of the remediation activities, Draper has discounted the expected future expenditures to the current period, using risk free rates which ranged from 4.05% to 5.40% applicable to the discount period. Draper’s recorded liability was \$2,029,000 and \$2,647,937 as of June 30, 2023 and July 1, 2022, respectively.

12. Leases

Draper, as lessee, leases office space, laboratory facilities and certain equipment. Such leases expire at various dates through FY2031, with options to extend for additional periods.

The office space and laboratory facility lease payments are subject to escalation for increases in real estate taxes and operating expenses. The exercise of lease renewal options is at management’s sole discretion and the lease right-of-use assets and liabilities reflect only the options management is reasonably certain that it will exercise. Lease expense is recognized on a straight-line basis over the lease term. Certain equipment is also rented on a short-term basis and charged to contracts. Total rent paid under Topic 842 in FY2023 was \$2,907,897 and under Topic 840 (exclusive of certain equipment rentals which are charged directly to contracts) was \$2,833,250 in FY2022. The current portion of lease liabilities as of June 30, 2023, \$2,483,485, is included in other accrued expenses in the statement of financial position. The long-term portion of lease liabilities as of June 30, 2023, \$12,549,317, is included in operating lease liabilities, long-term.

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Notes to Financial Statements
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Minimum annual rental commitments under such leases (subject to certain escalation provisions) as of June 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2024	\$ 2,977,258	\$ 94,937	\$ 3,072,195
2025	2,963,052	27,585	2,990,637
2026	2,947,869	5,546	2,953,415
2027	2,602,846	-	2,602,846
2028	2,127,952	-	2,127,952
Thereafter	3,395,052	-	3,395,052
	<u>\$ 17,014,029</u>	<u>\$ 128,068</u>	<u>\$ 17,142,097</u>

Minimum annual rental commitments under such leases (subject to certain escalation provisions) as of July 1, 2022 are as follows:

<u>Fiscal Year</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2023	\$ 2,186,941	\$ 166,555	\$ 2,353,496
2024	1,570,619	166,555	1,737,174
2025	884,289	55,518	939,807
2026	498,960	-	498,960
2027	498,960	-	498,960
Thereafter	1,912,680	-	1,912,680
	<u>\$ 7,552,449</u>	<u>\$ 388,628</u>	<u>\$ 7,941,077</u>

Supplemental balance sheet information related to operating leases was as follows as of June 30, 2023:

Weighted average remaining lease term (in years)	5.58
Weighted average discount rate	4.38%

Draper maintains a 48% ownership in One Hampshire at Kendall Square Condominium (“Hill Building”) and is a lessor to a tenant leasing three units. Rental income, including parking revenue, included within other non-operating income (loss), net in the statements of activities was \$5,779,025 and \$5,726,524 for FY2023 and FY2022, respectively. In addition, Draper incurred \$1,033,215 and \$970,654 for its share of common area maintenance costs for FY2023 and FY2022, respectively. GAAP requires lease income to be recognized on a straight-line basis, which differs from the timing of rental payments in certain of Draper’s lease agreements. The lease is set to expire in FY2024 and the lessee has the option to extend for two consecutive periods of two years each. The lessee has extended the lease, which will now expire in August 2024. The lessee does not have an option to purchase the underlying asset.

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

The maturity analysis of the lease payments Draper expects to receive from its operating lease as of June 30, 2023 is as follows:

<u>Fiscal Year</u>	<u>Total</u>
2024	\$ 5,972,355
2025	1,032,695
2026	-
2027	-
2028	-
Thereafter	-
	<u>\$ 7,005,050</u>

Total future minimum lease payments of approximately \$2,065,389 related to Draper's August 2023 executed lease extension at the Hill Building are included in the table above.

The maturity analysis of the lease payments Draper expected to receive from its operating lease as of July 1, 2022 is as follows:

<u>Fiscal Year</u>	<u>Total</u>
2023	\$ 6,163,448
2024	3,906,966
2025	-
2026	-
2027	-
Thereafter	-
	<u>\$ 10,070,414</u>

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

13. Schedule of Functional Expenses

The costs of providing program and other activities are summarized based on the natural classification in the statements of activities. The table below depicts natural classification expenses by function – sponsored programs (customer-related), non-sponsored programs (independent research and development), and management and general. Expenses directly attributable to a specific function are reported as expenses of that function. Expenses attributable to more than one function have been allocated among functions based on the proportion of labor dollars of each function. Functional expenses for FY2023 and FY2022 are summarized in the below table:

June 30, 2023

Natural Classification	Sponsored	Non-Sponsored	Management and General	Total
Subcontracts	\$ 174,732,937	\$ -	\$ -	\$ 174,732,937
Salaries and wages	214,373,568	8,949,124	28,356,005	251,678,697
Employee benefits and vacations	100,219,488	4,022,079	6,379,137	110,620,704
Materials, services and rentals	64,453,842	4,177,826	5,117,269	73,748,937
Depreciation and amortization	26,072,774	1,044,730	1,837,720	28,955,224
Other; principally travel and equipment	76,287,650	2,836,318	7,748,612	86,872,580
Total	<u>\$ 656,140,259</u>	<u>\$ 21,030,077</u>	<u>\$ 49,438,743</u>	<u>\$ 726,609,079</u>

July 1, 2022

Natural Classification	Sponsored	Non-Sponsored	Management and General	Total
Subcontracts	\$ 171,010,373	\$ -	\$ -	\$ 171,010,373
Salaries and wages	174,387,027	8,720,604	29,361,884	212,469,515
Employee benefits and vacations	91,416,584	4,412,653	6,343,557	102,172,794
Materials, services and rentals	45,563,542	3,199,900	4,669,559	53,433,001
Depreciation and amortization	26,403,733	1,264,944	2,014,626	29,683,303
Other; principally travel and equipment	68,022,444	3,364,542	8,469,122	79,856,108
Total	<u>\$ 576,803,703</u>	<u>\$ 20,962,643</u>	<u>\$ 50,858,748</u>	<u>\$ 648,625,094</u>

The Charles Stark Draper Laboratory, Inc.
Notes to Financial Statements
June 30, 2023 and July 1, 2022

14. Results of Operations

Total operating revenue is \$754,200,552 in FY2023 and \$658,146,827 in FY2022. Most operating revenue is with the U.S. government and related agencies. Contract change orders are included in the operating revenue total. Pending awards or change orders total \$20,000 and \$259,236 at June 30, 2023 and July 1, 2022, respectively.

Direct expenses are \$532,155,416 and \$466,933,732 in FY2023 and FY2022, respectively. Indirect costs in FY2023 and FY2022 are \$194,453,663 and \$181,691,362, respectively.

15. Subsequent Events

Draper has performed an evaluation of subsequent events through September 21, 2023, which is the date the financial statements were available to be issued. There are no events that occurred after June 30, 2023 that have a material impact on Draper's financial statements.

Events subsequent to original issuance of financial statements (unaudited)

On November 1, 2023, Draper paid \$16,500,000 to a former subcontractor to settle claims and litigation between the parties.

The Charles Stark Draper Laboratory, Inc.
Supplemental Schedule of Expenditures of Federal Awards
June 30, 2023

	Assistance Listing Number	Direct	Pass-through	Awarding / Pass Through Entity	Pass-Through Entity Identifying Number	Primary Awarding Identifying Number	Total	Passed to Sub- Recipients
Research and Development Cluster								
Department of Defense								
Department of the Air Force	12.800	\$1,022,848	-	WRIGHT LABORATORY		FA8650-17-2-5507	\$1,022,848	\$735,412
	12.RD	624,812	-	AIR FORCE RESEARCH LABORATORY		FA8651-19-C-0064	624,812	106,784
	12.RD	147,689	-	AIR FORCE RESEARCH LABORATORY - ROME NY		FA8650-22-C-5201	147,689	-
	12.RD	2,054,090	-	AIR FORCE RESEARCH LABORATORY - ROME NY		FA8750-22-C-1527	2,054,090	22,261
	12.RD	4,855	-	SAF/AQCS		FA8002-20-D-0305	4,855	-
	12.RD	1,964,438	-	SAF/AQCS		FA8002-20-D-0305	1,964,438	-
	12.RD	1,404,852	-	SAF/AQCS		FA8002-20-D-0305	1,404,852	-
	12.RD	2,528,527	-	SAF/AQCS		FA8002-20-D-0305	2,528,527	-
	12.RD	850,953	-	SAF/AQCS		FA8002-20-D-0305	850,953	-
	12.RD	1,877,330	-	SAF/AQCS		FA8002-20-D-0305	1,877,330	-
	12.RD	468,433	-	SAF/AQCS		FA8002-23-F-1045	468,433	-
	12.RD	4,880,706	-	SAF/AQCS		FA8002-20-D-0305	4,880,706	(32,242)
	12.RD	19,180	-	USAF/AFMC/AFLCMC		FA8684-20-D-4000	19,180	-
	12.RD	605,622	-	USAF/AFMC/AFLCMC		FA8684-20-D-4000	605,622	-
	12.RD	1,558,602	-	USAF/AFMC/AFLCMC		FA8684-20-D-4000	1,558,602	-
	12.RD	-	6,495,222	INTERSTATE ELECTRONICS CORP	SW11-00092	FA8807-21-C-0005	6,495,222	-
	12.RD	-	929,823	ALION SCIENCE & TECH	SUB1151620	FA8075-18-D-0002	929,823	-
	12.RD	-	388,956	BIOINDUSTRIAL MFG. AND DESIGN ECOSYSTEM	Subaward No. T-DRP9-A-0024	FA8650-21-2-5028	388,956	-
	12.RD	-	7	KBR	HCS485315	FA8075-14-D-0025	7	-
	12.RD	-	4,928	LEIDOS, INC.	P010217503	FA8750-18-C-0134	4,928	-
	12.RD	-	430,433	LEIDOS, INC.	P010282520	FA8650-23-D-2400	430,433	-
	12.RD	-	3,165,584	NORTHROP GRUMMAN MISSION SYSTEMS	5300039626	RESTRICTED	3,165,584	-
	12.RD	-	13,471	Northrop Grumman Systems Corp.	MP00396811	Undisclosed	13,471	-
	12.RD	-	840,595	PAR Government Systems Corporation	PGSC-SC-113251-02	FA8750-21-9-9000	840,595	-
	12.RD	-	160,509	SKYLINE NAV AI INC	0001	FA864922P0704	160,509	-
	12.RD	-	1,850,878	THE MITRE CORPORATION	MSA-00095	Undisclosed	1,850,878	-
	12.RD	-	53,325	THE WRIGHT BROTHERS INSTITUTE INC	WBCA-23- 013-DRAPER	FA8650-18-3-9326	53,325	-
	12.RD	-	48,222	LINCOLN LABORATORY	7000578800	FA8702-15-D-0001	48,222	-
Subtotal Department of the Air Force		<u>20,012,937</u>	<u>14,381,953</u>				<u>34,394,890</u>	<u>832,215</u>
Department of the Army	12.420	833,492	-	USA MEDICAL RESEARCH ACQUISITION ACTVTY		W81XWH1910518	833,492	299,635
	12.RD	1,157,175	-	Natick Soldier Systems center		W911QY20C0045	1,157,175	-
	12.RD	1,721,612	-	Natick Soldier Systems center		W911QY-20-C-0078	1,721,612	-
	12.RD	1,102,453	-	US Army - Aberdeen Proving Ground		W56KGLJ-22-C-0004	1,102,453	-
	12.RD	1,083,621	-	USA RDECOM CONTRACTING CENTER		W911SR2390001	1,083,621	-
	12.RD	1,763,169	-	USA RDECOM CONTRACTING CENTER		W911SR2390002	1,763,169	-
	12.RD	-	346,531	Advanced Technology International (ATI)	DOTC-18-01-INIT0138	W15QKN-18-9-1008	346,531	(15,085)
	12.RD	-	467,463	Advanced Technology International (ATI)	2018-868	W15WKN-18-9-1004	467,463	-
	12.RD	-	2,300,964	Advanced Technology International (ATI)	2018-868 OTIA 3	W15WKN-18-9-1004	2,300,964	-
	12.RD	-	1,008,992	Advanced Technology International (ATI)	2020-555	W9124-P-19-9-0001	1,008,992	-
	12.RD	-	166,284	Advanced Technology International (ATI)	DOTC-17-01-INIT1079	W15QKN-14-9-1001	166,284	-
	12.RD	-	311,315	APPLIED RESEARCH ASSOCIATES INC	S-D00183-00004-DRAPER	W15QKN-18-9-1004	311,315	-
	12.RD	-	2,377,525	DESE RESEARCH INC	DESE-19-010	W9124P-19-9-0001	2,377,525	-
	12.RD	-	3,563,020	Dynetics Technical Solutions, Inc.	DX-SC-20-08	W9124P-19-09-0001	3,563,020	3,316,115
	12.RD	-	61,771	MAXENTRIC TECHNOLOGIES LLC	4343-FPN	W911NF21C0020	61,771	-
	12.RD	-	100,090	MAXENTRIC TECHNOLOGIES LLC	NSC-19-9050	W15QKN-15-9-1004	100,090	-
	12.RD	-	9,184	ProActive Technologies, Inc.	MSA-PAT-2015001-00044	W900KK-14-D-0001	9,184	9,184
	12.RD	-	196	Radiation Monitoring Devices, Inc.	C21-01	CWD1922-001	196	-
Subtotal Department of the Army		<u>7,661,522</u>	<u>10,713,335</u>				<u>18,374,857</u>	<u>3,609,849</u>

The accompanying notes are an integral part of the Supplemental Schedule of Expenditures of Federal Awards

The Charles Stark Draper Laboratory, Inc.
Supplemental Schedule of Expenditures of Federal Awards
June 30, 2023

	Assistance Listing Number	Direct	Pass-through	Awarding / Pass Through Entity	Pass-Through Entity Identifying Number	Primary Awarding Identifying Number	Total	Passed to Sub- Recipients
Research and Development Cluster Department of Defense Department of the Navy	12.RD	-	47,741	ADVANCE SYS/SUPPORT ENG TECH & TOOLS INC	AA007101	H9240521C0006	47,741	-
	12.RD	-	16,457	Dynetics Technical Solutions, Inc.	DI-SC-21-74	N00178-19-9-0005	16,457	-
	12.RD	-	20,573,377	LOCKHEED MARTIN - LITTLETON	4104511408	N00030-19-C-0025	20,573,377	-
	12.RD	-	876,419	LOCKHEED MARTIN - LITTLETON	4105364995	N00030-19-C-0025	876,419	-
	12.RD	-	43,362	LOCKHEED MARTIN - MITCHEL FIELD	4100161409	N00030-10-C-0018	43,362	-
	12.RD	-	309	LOCKHEED MARTIN - MITCHEL FIELD	4102396825	N00030-16-C-0045	309	-
	12.RD	-	463,086	LOCKHEED MARTIN CORPORATION - MANASSAS	4105468531	N00030-20-C-0045	463,086	-
	12.RD	-	872,227	LOCKHEED MARTIN CORPORATION - MANASSAS	4105601256	N00030-23-C-6045	872,227	-
	12.RD	-	5,820,459	RAYTHEON - TUSCON	4202383118	HQ0276-15-C-0003	5,820,459	545,716
	12.RD	-	20,680	RAYTHEON - TUSCON	4202773185	N00039-23-F-2058	20,680	-
	12.RD	-	578,551	SYSTEMS PLANNING AND ANALYSIS, INC.	SPA-SC-050007-21-002	N0003022C1015	578,551	-
	12.RD	-	25,342	THE PENNSYLVANIA STATE UNIVERSITY	S22-05	N00024-18-D-6401	25,342	-
	12.RD	-	554,252	CHARLES RIVER ANALYTICS	SC2114502	N65236-22-C-8011	554,252	-
	12.RD	1,048,654	-	NAVAL INFORMATION WARFARE CENTER PACIFIC		N66001-20-C-4018	1,048,654	67,793
	12.RD	-	505,849	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	S5747 PO#786848	N00014-22-1-2463	505,849	-
	12.300	215,217	-	OFFICE OF NAVAL RESEARCH		N00014-19-1-2213	215,217	157,825
	12.300	388,249	-	OFFICE OF NAVAL RESEARCH		N00014-20-C-1015	388,249	-
	12.RD	499,378	-	NAVAL INFORMATION WARFARE CENTER PACIFIC		N6600123C4018	499,378	-
	12.RD	62,743	-	NAVAL INFORMATION WARFARE CENTER PACIFIC		N6600123C4508	62,743	-
	12.RD	144,014	-	NAVAL SURFACE WARFARE CENTER DAHLGREN		N00178-16-D-0001	144,014	-
	12.RD	588,150	-	NAVAL SURFACE WARFARE CENTER DAHLGREN		N00178-16-D-0001	588,150	-
	12.RD	5,051,607	-	NAVAL UNDERSEA WARFARE CENTER NEWPORT		N66604-18-D-C806	5,051,607	-
	12.RD	739,723	-	OFFICE OF NAVAL RESEARCH		N00014-18-C-1043	739,723	-
	12.RD	1,663,154	-	OFFICE OF NAVAL RESEARCH		N00014-21-C-1040	1,663,154	-
	12.RD	2,192,589	-	OFFICE OF NAVAL RESEARCH		N00014-22-C-1006	2,192,589	77,700
	12.RD	977,858	-	OFFICE OF NAVAL RESEARCH		N00014-22-C-1047	977,858	-
	12.RD	264,750	-	OFFICE OF NAVAL RESEARCH		N6833518C0107	264,750	-
	12.RD	29,636	-	SPAWAR SYSTEMS CENTER SAN DIEGO		N66001-18-C-4503	29,636	-
	12.RD	33,130	-	STRATEGIC SYSTEMS PROGRAMS		N00030-05-C-0008	33,130	33,130
	12.RD	16,339	-	STRATEGIC SYSTEMS PROGRAMS		N00030-11-C-0005	16,339	1,287
	12.RD	34,922	-	STRATEGIC SYSTEMS PROGRAMS		N00030-13-C-0005	34,922	34,922
	12.RD	294,894	-	STRATEGIC SYSTEMS PROGRAMS		N00030-15-C-0003	294,894	(100,000)
	12.RD	1,195,083	-	STRATEGIC SYSTEMS PROGRAMS		N00030-16-C-0008	1,195,083	991,945
	12.RD	107,008	-	STRATEGIC SYSTEMS PROGRAMS		N00030-16-C-0014	107,008	(139,769)
	12.RD	779,251	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-C-0008	779,251	(200,000)
	12.RD	426	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	426	-
	12.RD	70,285	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	70,285	-
	12.RD	1,173	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	1,173	-
	12.RD	354,856	-	STRATEGIC SYSTEMS PROGRAMS		N00030-19-C-0001	354,856	(280,202)
	12.RD	7,399,464	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-C-0004	7,399,464	2,175,796
	12.RD	2,252,796	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	2,252,796	-
	12.RD	850,968	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	850,968	-
	12.RD	321,995	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	321,995	-
	12.RD	646,946	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	646,946	-
	12.RD	2,353,424	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	2,353,424	-
	12.RD	382,543	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	382,543	-
	12.RD	119,540	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	119,540	-
	12.RD	390,457	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	390,457	-
	12.RD	66,644	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	66,644	-
	12.RD	70,360,100	-	STRATEGIC SYSTEMS PROGRAMS		N00030-21-C-0008	70,360,100	61,918,858
	12.RD	198,489,355	-	STRATEGIC SYSTEMS PROGRAMS		N0003022C6002	198,489,355	31,434,054
Subtotal Department of the Navy		300,387,321	30,398,111				330,785,432	96,719,055

The accompanying notes are an integral part of the Supplemental Schedule of Expenditures of Federal Awards

The Charles Stark Draper Laboratory, Inc.
Supplemental Schedule of Expenditures of Federal Awards
June 30, 2023

	Assistance Listing Number	Direct	Pass-through	Awarding / Pass Through Entity	Pass-Through Entity Identifying Number	Primary Awarding Identifying Number	Total	Passed to Sub- Recipients
Research and Development Cluster Department of Defense								
Defense Advanced Research Projects Agency	12.910	974,127	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001120C0032	974,127	522,373
	12.RD	57,881	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		Dick Urban IPA 2022-2024	57,881	-
	12.RD	3,656,751	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001121C0022	3,656,751	673,509
	12.RD	3,168,873	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001121C0100	3,168,873	-
	12.RD	1,693,082	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001121C0107	1,693,082	-
	12.RD	345,204	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001122C0061	345,204	164,634
	12.RD	345,340	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001122C0140	345,340	-
	12.RD	2,830,804	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001118C0132	2,830,804	354,199
	12.RD	-	1,489,473	BAE SYSTEMS	1017349-A	HR001121C0068	1,489,473	-
	12.RD	-	45,963	BAE SYSTEMS	1100260	HR001121C0002	45,963	-
	12.RD	-	3,429,677	MRIGlobal	811-111161-2	N66001-21-C-4048	3,429,677	-
	12.RD	-	2,102,251	TEXTRON SYSTEMS CORPORATION	1240799	HR00112290020	2,102,251	-
Subtotal Defense Advanced Research Projects Agency		13,072,062	7,067,364				20,139,426	1,714,715
Missile Defense Agency	12.RD	-	593,235	CFD RESEARCH CORPORATION	0000001005	HQ0860-21-C-7144	593,235	-
	12.RD	-	54,955,129	LOCKHEED MARTIN - SUNNYVALE	4105111127	HQ0856-21-C-0001	54,955,129	711,875
	12.RD	-	7,649	RAYTHEON - TUSCON	4202377660A	HQ0851-22-F-0009	7,649	-
	12.RD	-	2,156,615	RAYTHEON - TUSCON	4202444473	HQ0851-21-F-0014	2,156,615	-
	12.RD	-	163,722	RAYTHEON - TUSCON	4202521013	HQ0851-21-S-0001	163,722	-
	12.RD	-	3,936	RAYTHEON - TUSCON	4202754568	HQ0276-15-C-0003	3,936	-
	12.RD	481,326	-	Missile Defense Agency		HQ0147-17-C-0046	481,326	-
Subtotal Missile Defense Agency		481,326	57,880,286				58,361,612	711,875
United States Special Operations Command	12.RD	-	2,072,795	APPLIED RESEARCH ASSOCIATES INC	S-G30002-IDIQ-10-DRA	47QRAA18D005T	2,072,795	-
	12.RD	-	28,061	COMPASS SYSTEMS INC	CSISC22-0035-DRAPER	N68335-18-G-0035	28,061	-
	12.RD	-	9,715	NEXTECH SOLUTIONS LLC	PO 2816	NNG15SD03B-H9240418F0072	9,715	-
	12.RD	-	260,882	RESONANT SCIENCES LLC	8933	FA8620-21-F-4024	260,882	-
	12.RD	-	244,456	THE MIL CORPORATION	SA-Draper-19204-MSE4.11.3	N00421-19-D-0002	244,456	-
	12.RD	2,501	-	HQ USSOCOM SORDAC-K		H9240119C0003	2,501	-
	12.RD	437,074	-	HQ USSOCOM SORDAC-K		H9240523D0003	437,074	-
	12.RD	3,045	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	3,045	-
	12.RD	1,297,783	-	USSOCOM		H92405-21-C-0013	1,297,783	196,036
Subtotal United States Special Operations Command		1,740,403	2,615,909				4,356,312	196,036
Intelligence Advanced Research Projects Activity	12.RD	-	661,525	RUTGERS UNIVERSITY	2002	2021-21060200003	661,525	-
	12.RD	-	2,689	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2017-0009	2017-17032200003	2,689	-
Subtotal Intelligence Advanced Research Projects Activity		-	664,214				664,214	-

The accompanying notes are an integral part of the Supplemental Schedule of Expenditures of Federal Awards

The Charles Stark Draper Laboratory, Inc.
Supplemental Schedule of Expenditures of Federal Awards
June 30, 2023

	Assistance Listing Number	Direct	Pass-through	Awarding / Pass Through Entity	Pass-Through Entity Identifying Number	Primary Awarding Identifying Number	Total	Passed to Sub-Recipients
Research and Development Cluster								
Department of Defense								
Other Government DoD	12.RD	1,036,959	-	U S GOVERNMENT		4794	1,036,959	-
	12.RD	360,538	-	U S GOVERNMENT		17-C-0161	360,538	-
	12.RD	19,243,922	-	U S GOVERNMENT		18-C-3113	19,243,922	4,633,805
	12.RD	1,881,935	-	U S GOVERNMENT		19-C-0001	1,881,935	17,733
	12.RD	2,858,502	-	Defense Threat Reduction Agency		HDTRA1-20-C-0040	2,858,502	-
	12.RD	1,181,624	-	Defense Threat Reduction Agency		HDTRA1-20-C-0059	1,181,624	-
	12.RD	256,413	-	Defense Threat Reduction Agency		HDTRA121C0058	256,413	-
	12.RD	121,717	-	NATIONAL GEOSPATIAL INTELLIGENCE AGENCY		NFMEG83068MS11	121,717	-
	12.RD	95,067	-	OFFICE OF THE UNDER SECRETARY OF DEFENSE		HQ0642382807	95,067	-
	12.RD	155,286	-	SPACE DEVELOPMENT AGENCY		HQ0850-21-PA-IPALB	155,286	-
	12.RD	1,501,596	-	USA MEDICAL RESEARCH ACQUISITION ACTVY		W81XWH-20-1-0295	1,501,596	690,030
	12.RD	-	43,437	APPLIED RESEARCH ASSOCIATES INC	S-005175-02-Draper	HDTRA123C0015	43,437	-
	12.RD	-	427,956	LEIDOS, INC.	P010258072	FA807521F0035	427,956	-
	12.RD	-	8,463	Radiation Monitoring Devices, Inc.	C19-24	HDTRA1-19-C-0024	8,463	-
	12.RD	-	1,415,540	RAYTHEON - TUSCON	4201808105	HQ0276-15-C-0003	1,415,540	-
	12.RD	-	1,943,479	RAYTHEON - TUSCON	4202228415	HQ0276-15-C-0003	1,943,479	-
	12.RD	-	68,932	SONALYSTS INC	20220009-S	HDTRA222C0009	68,932	-
	12.RD	-	2,317,758	RAYTHEON - TUSCON	4202357326	HQ0276-15-C-0003	2,317,758	-
	12.RD	-	24,735	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2022-0026	Withheld	24,735	-
Subtotal Other Government DoD		28,693,559	6,250,300				34,943,859	5,341,568
Total Department of Defense		372,049,130	129,971,472				502,020,602	109,125,313
Department of Health and Human Services								
	93.350	39,167	-	NATIONAL INSTITUTES OF HEALTH		75N95019C00035	39,167	9,884
	93.RD	-	135,625	VOX BIOMEDICAL LLC	VOX2101	Grant No. 4R42 DA049655-03	135,625	-
	93.RD	232,805	-	US FOOD AND DRUG ADMINISTRATION		FDA 75F40119C10122	232,805	-
	93.837	-	26,835	NATIONAL INSTITUTES OF HEALTH	GENFD0001783992	1R21HL145636-01	26,835	-
	93.RD	-	366,011	UNIVERSITY OF ILLINOIS AT CHICAGO	UIC NIH Subaward 17610-00	1R01 CA240301-01	366,011	-
Subtotal Department of Health and Human Services		271,972	528,471				800,443	9,884
Department of Energy								
	81.RD	-	34,001	Lawrence Livermore National Laboratory	B643550	DE-AC52-07NA27344	34,001	-
	81.RD	-	1,310,490	Lawrence Livermore National Laboratory	B650207	DE-AC52-07NA27344	1,310,490	-
	81.RD	-	377,522	SANDIA NATIONAL LABORATORIES	2356200	DE-NA0003525	377,522	-
	81.RD	-	799,591	SANDIA NATIONAL LABORATORIES	2395303	Undisclosed	799,591	-
Subtotal Department of Energy		-	2,521,604				2,521,604	-
National Air and Space Administration								
	43.RD	-	94,272	THE BRIGHAM AND WOMEN'S HOSPITAL INC	128065	80ARC022CA007	94,272	-
	43.RD	-	92,177	KBR	SMS0008225	NNJ15HK11B	92,177	-
	43.RD	7,059,217	-	JOHNSON SPACE CENTER		80JSC021DA005	7,059,217	-
	43.RD	103,906	-	NASA Shared Services Center		80NSSC20K0104	103,906	-
	43.RD	18,192	-	NASA Shared Services Center		80NSSC21K0348	18,192	-
Subtotal National Air and Space Administration		7,181,315	186,449				7,367,764	-
National Science Foundation	47.RD	28,530	-	THE NATIONAL SCIENCE FOUNDATION		1804845	28,530	-
Subtotal National Science Foundation		28,530	-				28,530	-

The accompanying notes are an integral part of the Supplemental Schedule of Expenditures of Federal Awards

The Charles Stark Draper Laboratory, Inc.
Supplemental Schedule of Expenditures of Federal Awards
June 30, 2023

	Assistance Listing Number	Direct	Pass-through	Awarding / Pass Through Entity	Pass-Through Entity Identifying Number	Primary Awarding Identifying Number	Total	Passed to Sub- Recipients
Research and Development Cluster Non Department of Defense								
Other Contracts	99.RD	-	20,233	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2021-0025	Undisclosed	20,233	-
	99.RD	-	209,851	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2021-0028	Undisclosed	209,851	-
	99.RD	-	59,703	Zeta Associates, Inc.	173118SC-Draper-01	17-C-3118	59,703	-
	99.RD	-	237,695	Confidential Industrial Partner	Confidential	Undisclosed	237,695	-
	99.RD	-	774,034	LEIDOS, INC.	P010232588	Undisclosed	774,034	-
	99.RD	252,770	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	252,770	-
	99.RD	2,108,711	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	2,108,711	-
	99.RD	48,404	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001-013	48,404	-
	99.RD	4,183	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001-014	4,183	-
	99.RD	4,277,886	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	4,277,886	-
	99.RD	868,437	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	868,437	-
	99.RD	305,831	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	305,831	-
	99.RD	526,784	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	526,784	-
	99.RD	984,436	-	U S GOVERNMENT		3924	984,436	-
	99.RD	1,954,085	-	U S GOVERNMENT		4794	1,954,085	-
	99.RD	4,272	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B16-2016228G005	4,272	-
	99.RD	670,062	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	670,062	-
	99.RD	216,493	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	216,493	-
	99.RD	356,889	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	356,889	-
	99.RD	2,408,588	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	2,408,588	1,050,000
	99.RD	2,456,926	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	2,456,926	-
	99.RD	91,196	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018075G003	91,196	-
	99.RD	12,697	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	12,697	-
	99.RD	4	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	4	-
	99.RD	74,738	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	74,738	-
	99.RD	3,253,516	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	3,253,516	-
	99.RD	9	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	9	-
	99.RD	975,233	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	975,233	-
	99.RD	35,752	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B19-2019226G004	35,752	-
	99.RD	1,558,913	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	1,558,913	-
	99.RD	313	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	313	-
	99.RD	1,298,704	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	1,298,704	-
	99.RD	702,720	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	702,720	-
	99.RD	134,138	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	134,138	-
	99.RD	5,386,343	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	5,386,343	-
	99.RD	954,499	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	954,499	-
	99.RD	410,640	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	410,640	-
	99.RD	10,010,286	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020184G002	10,010,286	1,571,202
	99.RD	1,121,282	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020238G401	1,121,282	-
	99.RD	2,874,349	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020238G401	2,874,349	-
	99.RD	213,666	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B21-2021258G002	213,666	-
	99.RD	4,823,095	-	U S GOVERNMENT		22-C-0004	4,823,095	-
	99.RD	4,567,571	-	UUV AA SPONSOR		21-G-5028	4,567,571	-
Subtotal Other Contracts		55,944,421	1,301,516				57,245,937	2,621,202
Total Non Department of Defense		<u>\$63,426,238</u>	<u>\$4,538,040</u>				<u>\$67,964,278</u>	<u>\$2,631,086</u>
Total Research and Development Cluster		<u>\$435,475,368</u>	<u>\$134,509,512</u>				<u>\$569,984,880</u>	<u>\$111,756,399</u>
Total Federal Awards		<u>\$435,475,368</u>	<u>\$134,509,512</u>				<u>\$569,984,880</u>	<u>\$111,756,399</u>

The accompanying notes are an integral part of the Supplemental Schedule of Expenditures of Federal Awards

The Charles Stark Draper Laboratory, Inc.
Notes to Supplemental Schedule of Expenditures of Federal Awards
June 30, 2023

1. Basis of Presentation

The accompanying Supplemental Schedule of Expenditures of Federal Awards (the "Schedule") has been prepared in accordance with the Office of Management and Budget ("OMB") Uniform Guidance, using the accrual basis of accounting. The purpose of the Schedule is to present a summary of The Charles Stark Draper Laboratory, Inc.'s ("Draper") research programs for the year ended June 30, 2023, which have been funded by the U.S. Government ("federal awards"). For purposes of the Schedule, federal awards include all federal contracts entered into directly between Draper and the federal government and also between Draper and other primary recipients of Federal government funds (pass-through). Because the Schedule presents only the federal award activity of Draper, the Schedule is not intended to, and does not, present either the financial position or changes in net assets of Draper.

2. Indirect Costs

Draper recovers indirect costs under contracts and grants at provisional rates negotiated between the cognizant agency (Defense Contract Management Agency ("DCMA")) and Draper. Separate cost rates are negotiated for the following final indirect rates: Employee Benefits, General Overhead, Plant Overhead, and Cost of Money. Additionally, separate cost rates are negotiated for the following service centers: Machine Shop, Information Technology, Design Center, Focused Ion Beam, and Micro Fabrication. Final costs for each fiscal year are determined using Defense Contract Audit Agency (the "DCAA") annual audits and through negotiations with the DCMA Administrative Contract Officer. Draper has not elected to use the 10% de minimis indirect cost rate as described in Section 200.414 of the Uniform Guidance. A Forward Pricing Rate Recommendation letter dated June 1, 2023 from the Defense Contract Management Agency has established the indirect cost rates used by Draper. A schedule of cost rates is included in DCAA Audit Report No. 1361-2023T10110001 Independent Auditor's Report of Charles Stark Draper Laboratory's Compliance with Requirements Applicable to Major Program and on Internal Control over Compliance in Accordance with 2 CFR Part 200, Fiscal Year Ended June 30, 2023 (Report 3a).



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

To the Board of Directors of The Charles Stark Draper Laboratory, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of The Charles Stark Draper Laboratory, Inc. (“Draper”), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and of cash flows for the year then ended, including the related notes (collectively referred to as the “financial statements”), and have issued our report thereon dated September 22, 2023, which included an emphasis of matter paragraph related to Draper changing the manner in which it accounts for leases in fiscal year 2023, as discussed in Note 1.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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



Purpose of this Report

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

PriceWaterhouseCoopers LLP

Boston, Massachusetts
September 22, 2023



REPORT 3

Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

To the Board of Directors of The Charles Stark Draper Laboratory, Inc.

Coordinated Audit Division of Responsibility

In connection with the coordinated audit of The Charles Stark Draper Laboratory, Inc. ("Draper") for the year ended June 30, 2023, as provided for in U.S. Office of Management and Budget ("OMB") Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the U.S. Defense Contract Audit Agency ("DCAA") and PricewaterhouseCoopers LLP each performed certain tasks. Responsibilities under the coordinated audit approach were assigned as follows:

1. The DCAA performed specific audit procedures over Department of Defense contracts (DoD) with respect to the following compliance requirements included in the OMB *Compliance Supplement*: activities allowed or unallowed; and allowable costs/cost principles. In addition, the DCAA tested the internal control structure with respect to the above listed compliance requirements as they relate to the research and development cluster. The DCAA's reports on compliance and internal control over compliance are included in the Uniform Guidance Report as report 3a.
2. PricewaterhouseCoopers LLP performed specific audit procedures over DoD contracts and contracts not sponsored by the Department of Defense (non-DoD) with respect to the following compliance requirements included in the OMB *Compliance Supplement*: cash management; equipment and real property management; period of performance; procurement, suspension and debarment; subrecipient monitoring and special tests and provisions. In addition, PricewaterhouseCoopers LLP tested the internal control structure with respect to the above listed compliance requirements as they relate to the research and development cluster.
3. PricewaterhouseCoopers LLP also included within its scope for non-DoD contracts the following compliance requirements included in the OMB *Compliance Supplement*: activities allowed and unallowed; and allowable costs/cost principles. In addition, PricewaterhouseCoopers LLP tested the internal control structure with respect to the above listed compliance requirements as they related to the research and development cluster.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Draper's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Draper's major federal programs for the year ended June 30, 2023. Draper's major



federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. In our opinion, Draper complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures



include examining, on a test basis, evidence regarding Draper's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Draper's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Draper's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

PricewaterhouseCoopers LLP

Boston, Massachusetts
March 28, 2024

CUI

ATTENTION

Controlled by: DCAA New England Branch Office

CUI Categories: PROPIN

POC: Jaclyn H. Parziale, jaclyn.h.parziale.civ@mail.mil

ATTENTION

All individuals handling this information are required to protect it from unauthorized disclosure.

Handling, storage, reproduction, and disposition of the attached document(s) must be in accordance with 32 CFR Part 2002 and applicable agency policy.

Access to and dissemination of Controlled Unclassified Information shall be allowed as necessary and permissible to any individual(s), organization(s), or grouping(s) of users, provided such access or dissemination is consistent with or in furtherance of a Lawful Government Purpose and in a manner consistent with applicable law, regulations, and Government-wide policies.

Standard Form 901 (11-18)
Prescribed by GSA/ISOO | 32 CFR 2002

CUI



Audit Report No. 1361-2023T10110001 (Revised)

**New England Branch Office
59 Lowes Way, Suite 300
Lowell, MA 01851**

March 21, 2024

Independent Audit Report on Charles Stark Draper Laboratory, Inc.'s Compliance with Requirements Applicable to its Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance at 2 CFR Part 200 for Fiscal Year Ended June 30, 2023

Controlled by: DCAA New England Branch Office

CUI Categories: PROPIN

POC: Jaclyn H. Parziale, jaclyn.h.parziale.civ@mail.mil

SPECIAL WARNING: The contents of this audit report must not be released or disclosed, other than to those persons whose official duties require access in accordance with Department of Defense (DoD) regulations. This document may contain controlled unclassified information (CUI) and may be exempt from mandatory disclosure under the Freedom of Information Act. Unauthorized disclosure of proprietary, contractor bid or proposal or source selection information may also violate Title 18 United States Code (U.S.C.) § 1905 and/or Title 41 U.S.C. § 2102. Please see the Audit Report Distribution and Restrictions section of this report for further restrictions.

CUI



CUI

Audit Report No. 1361-2023T10110001 (Revised)

March 21, 2024

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CUI



CUI

Audit Report No. 1361-2023T11010001 (Revised)

March 21, 2024

EXECUTIVE SUMMARY

ABOUT CHARLES STARK DRAPER LABORATORY, INC.

Charles Stark Draper Laboratory, Inc. (Draper), located at 555 Technology Square, Cambridge, MA, is a nonprofit research and development laboratory which predominantly focuses on the design, development, and deployment of advanced technological solutions for the Federal government's problems in security, space exploration, healthcare, and energy. Draper's Cage Code is 51993.

Draper's Federal awards fall under the designation of a Research and Development (R&D) Cluster. A cluster of programs means Federal programs with different Catalog of Federal Domestic Assistance (CFDA) numbers that are defined as a cluster of programs because they are closely related programs that share common compliance requirements. Since all of Draper's Federal awards fall under the R&D cluster, Draper is considered to only have one major Federal program (R&D).

Sales are mainly sole source procurements to the U.S. Government under Cost Plus-Fixed-Fee (CPFF) type contracts. Draper's total audited Federal award costs for Fiscal Year Ended (FYE) June 30, 2023, were \$569 Million.

ABOUT THIS AUDIT

In accordance with Code of Federal Regulations, Title 2, Part 200 (2 CFR 200), the Defense Contract Audit Agency (DCAA) and PricewaterhouseCoopers LLP (PwC) performed a coordinated audit of Draper's R&D Cluster. DCAA's audit responsibility included testing Draper's compliance with the following compliance requirements included in the 2 CFR 200 Compliance Supplement: activities allowed or unallowed, and allowable cost/cost principles. Our work included auditing Draper's proposed direct and indirect amounts for reimbursement on federal awards contained in its FY 2023 final indirect rate proposal, submitted on November 22, 2023. In addition, we also tested Draper's internal control structure with respect to the two compliance requirements listed above as they relate to Draper's R&D Cluster. However, our audit of Draper's R&D Cluster did not include non-DoD Federal awards within the Schedule of Expenditures of Federal Awards because we do not have audit cognizance over those Federal awards.

CUI



CUI

Audit Report No. 1361-2023T11010001 (Revised)

March 21, 2024

WHAT WE FOUND

Our audit did not identify any instances of noncompliance with Compliance Requirements A and B as they pertain to the DoD Federal awards for FYE June 30, 2023. The contractor demonstrated adherence to allowable costs and cost principles as outlined in the applicable regulations.

CUI



CUI

Audit Report No. 1361-2023T11010001 (Revised)

March 21, 2024

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM.

We have audited Draper's compliance with two of the compliance requirements described in the 2023 2 CFR 200, Appendix XI, Compliance Supplement (OMB *Compliance Supplement*) that could have a direct and material effect on the Research and Development cluster, pertaining to DoD Federal awards, for year ended June 30, 2023. The compliance requirements audited by DCAA are as follows:

- Activities allowed or unallowed, and
- Allowable cost/cost principles.

Draper's major Federal program is identified in the Schedule of Findings and Questioned Costs summary of auditor's results section.

Draper's independent public accounting firm of PricewaterhouseCoopers LLP (PwC) is responsible for auditing the non-DoD Federal awards pertaining to the compliance requirements noted above as well as the remaining applicable compliance requirements.

Our audit of the Federal Research and Development cluster did not include \$67,964,278 of costs associated with non-DoD Federal awards within the Schedule of Expenditures of Federal Awards. Draper's independent public accounting firm of PwC is responsible for auditing these costs. See Appendix 3, Page 15, for more details relating to the Federal awards that we audited and the ones that we excluded from our audit.

We also audited Draper's proposed direct and indirect amounts for reimbursement on Federal awards contained in its FY 2023 final indirect rate proposal, submitted November 22, 2023, to determine if the proposed amounts comply with the terms of Federal awards pertaining to accumulating and billing incurred amounts.

Management's Responsibility

Draper's management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal Awards applicable to its Federal Programs, including the design, implementation, maintenance of internal control to prevent or detect and correct noncompliance due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Draper's Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Draper's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. The nature, timing, extent of the procedures selected depend on our professional judgment, including an assessment of risks of material noncompliance, whether due to fraud or error, and involve examining evidence about the proposed amounts.

We believe that the evidence we obtained is sufficient and appropriate to ensure that our audit provides a reasonable basis for our audit opinion on compliance for the major Federal program. However, our audit does not provide a legal determination on Draper's compliance.

We are required to be independent and to meet our other ethical responsibilities in accordance with GAGAS.

Unmodified Opinion on Draper's Compliance with the Research and Development Cluster

In our opinion, Draper complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on its Federal Program for the year ended June 30, 2023.

Appendix 3, Page 15, includes a Summary Schedule of Claimed Expenditures and Fee by Federal Sponsor. It does not represent the final costs by Federal sponsor as it does not reflect final indirect costs as final indirect rates still have to be negotiated by the Administrative Contracting Officer (ACO). Final amounts will be adjusted after Draper settles its indirect rates with its ACO. Draper's Certificate of Final Indirect Cost is provided as Appendix 1, Page 13.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Draper is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance we considered Draper's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Draper's internal control over compliance.

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

Our consideration of Draper's internal control over compliance with Federal programs was for the limited purpose described above and was not designed to identify all deficiencies in the Auditee's internal control that might be significant deficiencies or material weaknesses. Therefore, significant deficiencies or material weaknesses may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses.

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

AUDITOR'S COMMENTS ON SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As part of our audit, we included procedures to assess the reasonableness of Draper's Summary Schedule of Prior Audit Findings, included as Appendix 2, page 14. Our audit disclosed that Draper adequately presented the status of its corrective action taken regarding our prior audit findings. There are no audit findings that are still considered open. The following is a summary of the prior audit findings that are considered closed:

<u>Audit Finding</u>		
<u>Audit Year</u>	<u>Reference</u>	<u>Description of Audit Finding</u>
FY 2020	2020-001	Depreciation of Atrium Construction Costs - Unreasonable
FY 2020	2020-002	Outside Counsel Costs - Management Decisions *
FY 2020	2020-003	Outside Counsel Costs - Draper Ethics Hotline *
FY 2020	2020-004	Executive Compensation
FY 2020	2020-005	Public Relation Costs
FY 2021	2021-001	Depreciation of Atrium Construction Costs - Unreasonable
FY 2022	2022-001	Depreciation of Atrium Construction Costs - Unreasonable
FY 2022	2022-002	Special Retirement Payment - Supplemental Retirement Plan for Corporate Officers

* Contractor Included Audit Finding that was Closed in Prior Years.

EXIT CONFERENCE

We provided a draft copy of the report and discussed the results of our examination with Mr. Jamie Pereira, Director, Government Accounting and Compliance, in an exit conference held on March 14, 2024.

We are available to discuss the results of audit and participate in negotiations at your convenience.

DCAA PERSONNEL

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General information on audit matters is available at <http://www.dcaa.mil/>.

AUDIT REPORT AUTHORIZED BY:

PARZIALE.JACLYN
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Jaclyn H. Parziale
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RESTRICTIONS

1. The CUI (Controlled Unclassified Information) marking placed on this audit report is not a security marking. It is a marking required for unclassified information that requires safeguarding and dissemination controls pursuant to law, regulation, or Government-wide policy in accordance with Part 2002 of Title 32, CFR. The contents of this audit report are intended for persons whose official duties require access in accordance with Department of Defense (DoD) Instruction 5200.48, Controlled Unclassified Information, effective March 6, 2020. The audit report and supporting documentation may contain information exempt from mandatory disclosure under the Freedom of Information Act. Exemption 4, of the Freedom of Information Act, which addresses proprietary information, may apply.

It is not practical to identify, during the conduct of the audit, all elements of the data that are proprietary. Proprietary determinations should be made considering the access to Uniform Guidance Audit Reports granted to the public. Unauthorized disclosure of proprietary information could violate Title 18 United States Code (U.S.C.) 93 §1905 and the violator could be subject to penalties such as fines, imprisonment, and/or removal from office or employment.

2. The Defense Contract Audit Agency has no objection to the auditee releasing this report, at their discretion for public inspection. DCAA also has no objection to the auditee excluding Attachment 4 of this report from the filing with the Federal Clearinghouse due to the proprietary nature of the information included in an appendix.
3. This report is intended solely for the information and use by Federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

GOVERNMENT PARTICIPATION IN ALLOCATION BASES

<u>Indirect Category</u>	<u>Government Flexible Priced Government Awards</u>	<u>FFP Federal Award and Commercial Work</u>	<u>Total</u>
General Research Overhead	85.5%	14.5%	100%
Plant Overhead	85.6%	14.4%	100%
Employee Benefit	86.2%	13.8%	100%

SCHEDULE OF FINDINGS AND QUESTIONED COSTS**Charles Stark Draper Laboratory, Inc.****Fiscal Year Ended June 30, 2023****SECTION I: -- SUMMARY OF AUDITOR'S RESULTS:****A. Financial Statements:**

Information pertaining to the financial statements and the report on the Schedule of Expenditures of Federal Awards required by the Uniform Guidance are included in the independent public accountant's audit report.

B. Federal Awards:

Type of auditor's report issued on compliance for major programs:

Type of Audit Opinion	R&D Cluster
Unmodified	X
Qualified	
Adverse	
Disclaimer	

Internal control over major programs:

	Yes	None Reported
Material weaknesses were identified.		X
Significant deficiencies identified not considered to be material weaknesses.		X

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

Yes	
No	X

Identification of Major Programs:

CFDA Number	Federal Program
N/A	Research and Development Cluster

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

\$3,000,000

Auditee classified as a low risk under 2 CFR 200 Subpart F:

Yes	X
No	

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Charles Stark Draper Laboratory, Inc.

Fiscal Year Ended June 30, 2023

SECTION II: -- FINDINGS RELATED TO FINANCIAL STATEMENTS:

Information pertaining to the financial statements can be found in the independent public accountant's audit report.

SECTION III: FINDINGS RELATED TO FEDERAL AWARDS:

No findings.

Certificate of Final Indirect CostsFY 2023 Incurred Cost Submission
Schedule N**The Charles Stark Draper Laboratory
555 Technology Square
Cambridge, MA 02139****Certificate of Final Indirect Costs
Fiscal Year Ended 06/30/2023**

This is to certify that I have reviewed this proposal to establish final indirect cost rates and to the best of my knowledge and belief:

1. All costs included in the FY 2023 Incurred Cost Submission to establish final indirect cost rates for July 2, 2022 through June 30, 2023 are allowable in accordance with the cost principles of the Federal Acquisition Regulation (FAR) and its supplements applicable to the contracts to which the final indirect cost rates will apply; and
2. This proposal does not include any costs which are expressly unallowable under applicable cost principles of the FAR or its supplements.

Firm: The Charles Stark Draper Laboratory

Signature: _____

**Name of Certifying Official: Christine Albertelli****Title: Chief Financial Officer & Treasurer****Date of Execution: November 22, 2023**

Status of Prior Audit Findings



555 Technology Square
Cambridge, MA 02139-3563

Status of Prior Audit Findings

February 27, 2024

PwC

There are no findings from prior years which require an update in this report.

DCAA

Findings from DCAA Audit Report Number 1361-2022T10110001 dated March 22nd, 2023

Finding 2022-001- Depreciation of Atrium Construction Costs – Unreasonable

Finding 2022-002- Special Retirement Payment – Supplemental Retirement Plan for Corporate Officers

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance
Completion Date: Draper considers these findings closed with the settlement of the DFY 2022 indirect rates on October 23, 2023

Findings from DCAA Audit Report Number 1361-2021T10110001 dated March 18th, 2022

Finding 2021-001 – Depreciation of Atrium Construction Costs – Unreasonable

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance
Completion Date: Draper considers these findings closed with the settlement of the DFY 2021 indirect rates on August 25, 2023

Findings from DCAA Audit Report Number 1151-2020T10110001 dated March 25th, 2021

Finding 2020-001 – Depreciation of Atrium Construction Costs – Unreasonable

Finding 2020-002 – Outside Counsel Costs – Management Decisions

Finding 2020-003 – Outside Counsel Costs – Draper Ethics Hotline

Finding 2020-004 – Executive Compensation

Finding 2020-005 – Public Relations Costs

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance
Completion Date: Draper considers these findings closed with the settlement of the DFY 2020 indirect rates on July 13, 2023

Firm: The Charles Stark Draper Laboratory, Inc.

By: 
Christine Albertelli

Title: Chief Financial Officer & Treasurer

Date: February 27, 2024

Charles Stark Draper Laboratory, Inc.
Cambridge, MA

FY 2023 Summary Schedule of Expenditures of Federal Awards by Audit Responsibility

Major Program - R&D Cluster	Federal CFDA/CSFA Numbers	Before		
		Expenditures		
		Direct	Pass-through	Total
Department of Defense Federal Awards:				
Audited by DCAA				
Department of the Air Force	12	\$ 20,012,937	\$ 14,381,953	\$ 34,394,890
Department of the Army	12	7,661,522	10,713,335	18,374,857
Department of the Navy	12	300,387,321	30,398,111	330,785,432
Defense Advanced Research Program Agency	12	13,072,062	7,067,364	20,139,426
Missile Defense Agency	12	481,326	57,880,286	58,361,612
Special Operations Command (SOCOM)	12	1,740,403	2,615,909	4,356,312
Other Government (DoD)	12	28,693,559	6,914,514	35,608,073
Total Department of Defense Audited by DCAA		\$ 372,049,130	\$ 129,971,472	\$ 502,020,602
Non DoD Federal Awards				
Audited by PwC				
National Air and Space Administration	43	7,181,315	186,449	7,367,764
National Science Foundation	47	28,530	-	28,530
Department of Energy	81	-	2,521,604	2,521,604
Department of Health and Human Services:				-
National Institutes of Health	93	271,972	528,471	800,443
Other Contracts (Non DoD)	99	55,944,421	1,301,516	57,245,937
Total Non DoD Federal Awards Audited by PwC		\$ 63,426,238	\$ 4,538,040	\$ 67,964,278
Total Federal Awards		\$ 435,475,368	\$ 134,509,512	\$ 569,984,880

The above schedule represents the costs and fee claimed by Draper on Federal awards during FY 2023. It does not represent the final costs by Federal sponsor because it does not reflect final indirect costs as final indirect rates still have to be negotiated by the Administrative Contracting Officer. Final amounts will be adjusted after Draper settles its indirect rates with the Administrative Contracting Officer.

I. Summary of PwC's Results¹

Financial Statements

Type of auditor's report issued

Unmodified

Internal control over financial reporting

• Material weakness(es) identified? ☐ yes ☒ no

• Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to the financial statements noted? ☐ yes ☒ no

Federal Awards¹

Internal control over major programs

• Material weakness(es) identified? ☐ yes ☒ no

• Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs

PwC – Report 3

Unmodified

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

☐ Yes ☒ no

Identification of major programs

Assistance Listing Numbers

Various

Name of Federal Program or Cluster

Research and Development Cluster

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

\$3,000,000

Auditee is qualified as low-risk auditee?

☒ yes ☐ no

¹ This summary represents a summary of work performed by PwC for the compliance requirements and awards within our scope of work as detailed in Report 3 of this coordinated audit. For a summary of work performed by DCAA for the compliance requirements and awards within their scope of work, refer to Report 3a in this Uniform Guidance report.

The Charles Stark Draper Laboratory, Inc.
Schedule of Findings and Questioned Costs
June 30, 2023

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

PwC

None noted.

DCAA

None noted.

**The Charles Stark Draper Laboratory, Inc.
Summary Schedule of Prior Audit Findings and
Questioned Costs and Status for Federal Awards
June 30, 2023**

REPORT 5

PwC

There are no findings from prior years which require an update in this report.

DCAA

The DCAA update to prior audit findings can be found in the accompanying DCAA report (Report 3a in this Uniform Guidance report).