

The CNA Corporation

Report On Federal Awards

In Accordance with The Uniform Guidance

September 30, 2023

EIN 54-1558882

The CNA Corporation
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For the Year Ended September 30, 2023

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Part I

**Financial Statements and
Schedule of Expenditures of Federal Awards**



Report of Independent Auditors

To the Board of Trustees of the CNA Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The CNA Corporation (the “Corporation”), which comprise the statements of financial position as of September 30, 2023 and 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 the Corporation as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Corporation 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 2 to the financial statements, the Corporation 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 the Corporation’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 and *Government Auditing Standards*, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Corporation'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 the Corporation'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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2023 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended September 30, 2023. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Washington, DC
March 5, 2024

The CNA Corporation
Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 17,719,107	\$ 11,987,905
Accounts receivable		
Contract receivables and assets	19,438,194	22,061,964
Employee and other receivables, net	274,420	93,277
Prepaid expenses and deposits	<u>2,577,635</u>	<u>1,704,505</u>
Total current assets	40,009,356	35,847,651
Investments	29,914,771	26,637,058
Other assets long-term	3,015,626	2,358,017
Operating right of use assets	71,567,757	-
Financing right of use assets	845,574	-
Property and equipment, net	<u>9,736,937</u>	<u>10,651,273</u>
Total assets	<u>\$ 155,090,021</u>	<u>\$ 75,493,999</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	3,393,246	2,712,637
Operating lease liability	5,170,979	-
Financing lease liability	172,695	-
Accrued payroll and withholding taxes	4,997,072	4,007,479
Accrued leave	7,368,125	7,375,244
Deferred revenue and contract liabilities	<u>533,627</u>	<u>525,866</u>
Total current liabilities	21,635,744	14,621,226
Long-term liabilities		
Deferred rent	-	6,965,605
Operating lease liability	73,736,522	-
Financing lease liability	711,514	-
Other liabilities long-term	<u>3,776,903</u>	<u>3,108,342</u>
Total liabilities	99,860,683	24,695,173
Net assets without donor restrictions	<u>55,229,338</u>	<u>50,798,826</u>
Total liabilities and net assets	<u>\$ 155,090,021</u>	<u>\$ 75,493,999</u>

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

The CNA Corporation
Statements of Activities
For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Contracted research	\$ 141,502,097	\$ 137,757,398
Total Operating Revenue	<u>141,502,097</u>	<u>137,757,398</u>
Operating Expenses		
Salaries and fringe	105,242,756	102,792,426
Consultants and outside services	12,551,133	15,126,195
Occupancy	10,707,608	10,801,587
Information technology	6,457,529	6,314,078
Training and personnel support	1,067,737	1,485,958
Travel and related	4,061,912	2,862,618
Supplies	392,525	516,534
Other corporate expenses	-	677,357
Total Operating Expenses	<u>140,481,200</u>	<u>140,576,753</u>
Other Income and (Expenses)		
Net investment return	3,277,712	(5,756,516)
Interest income	131,903	4,848
Total Other Income and (Expenses)	<u>3,409,615</u>	<u>(5,751,668)</u>
Change in net assets	<u>4,430,512</u>	<u>(8,571,023)</u>
Net assets, beginning of the year	<u>50,798,826</u>	<u>59,369,849</u>
Net assets, end of year	<u><u>\$ 55,229,338</u></u>	<u><u>\$ 50,798,826</u></u>

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

The CNA Corporation
Statements of Cash Flows
For the Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 4,430,512	\$ (8,571,023)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by/(used in) operating activities:		
Depreciation expense	2,293,044	2,343,610
Lease Activity	479,714	350,590
Amortization of capitalized software	49,057	73,057
Net unrealized/realized gains	(2,609,973)	6,509,639
Loss on disposal of property and equipment	803	574,941
Reserve for doubtful accounts	-	23,080
Changes in assets and liabilities:		
Decrease (increase) in Contract receivables and assets	2,623,771	(3,082,466)
(Increase) decrease in Employee and other receivables, net	(181,143)	81,186
(Increase) decrease in Prepaid expenses and deposits	(873,130)	313,637
Increase (decrease) in Other assets long-term	(657,609)	440,921
Increase (decrease) in Accounts payable and accrued expenses	680,609	(492,517)
Increase (decrease) in Deferred revenue and contract liabilities	7,761	(871,483)
Increase in Accrued payroll and withholding taxes	989,593	889,335
Decrease in Accrued leave	(7,119)	(258,380)
Increase (decrease) in Other liabilities long-term	668,561	(404,590)
Net cash and cash equivalents provided by/used in operating activities	<u>7,894,451</u>	<u>(2,080,463)</u>
Cash flows from investing activities		
Purchases of property and equipment	(1,428,569)	(2,094,039)
Proceeds from the sale of property and equipment	-	7,048
Purchases of investments	(734,141)	(1,788,711)
Sales of investments	66,403	35,588
Net cash and cash equivalents used in investing activities	<u>(2,096,307)</u>	<u>(3,840,114)</u>
Cash flows from financing activities		
Principal payments on financing leases	(66,942)	-
Net cash and cash equivalents used in financing activities	<u>(66,942)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	5,731,202	(5,920,577)
Cash and cash equivalents, beginning of year	11,987,905	17,908,482
Cash and cash equivalents, end of year	<u>\$ 17,719,107</u>	<u>\$ 11,987,905</u>
Supplemental cash flow information		
Amount payable for equipment purchases	-	-

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

The CNA Corporation

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

1. Nature of Operations

The CNA Corporation (the “Corporation”) is a not-for-profit corporation that conducts studies and analysis and other research-based activities predominantly for agencies of the federal government, as well as state and local governments, and foundations. The majority of the Corporation’s activities consist of the management and execution of the Center for Naval Analyses (“CNA”), a federally funded research and development center (“FFRDC”) whose primary focus is to provide assistance to the Department of the Navy (“DON”) in the areas of operations and systems analysis. CNA has conducted research for the Department of the Navy and other government entities since 1942 under managed affiliations with various universities and institutes, until October 1, 1990, when it incorporated and began operating as an independent entity. In addition, the Corporation operates the Institute for Public Research (“IPR”) which provides expert, high-level research and analysis services to clients at all levels of government, in the areas of health care, education, domestic security and safety, human capital management, and air traffic management.

The DON executed renewal of the new FFRDC contract effective on January 1, 2022. The contract consists of a five-year contract with five one-year options. The contract has a ceiling of \$1.2 billion. Task Orders on the DON contract accounted for approximately \$100 million, or 71% of operational revenue in fiscal year 2023 and \$97 million, or 70% of total revenue in fiscal year 2022.

2. Summary of Significant Accounting Policies

Basis of Accounting

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

Revenue Recognition and Program Services

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which replaced the accounting standards for revenue recognition under ASC 605, Revenue recognition, with a single comprehensive five-step model, eliminating industry-specific accounting Rules. The core principle is to recognize revenue upon the transfer of control of goods or services to a customer at an amount that reflects the consideration expected to be received. The Corporation provides services for customers in four types of arrangements: cost-reimbursable, time-and-materials, fixed-price, and grants. Revenue is recognized in accordance with ASC Topic 606, Revenue from Contracts with Customers, and ASC 958-605, which the corporation adopted on October 1, 2019, using the modified retrospective approach.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account in ASC Topic 606. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The majority of revenues are generally recognized over time, with a few instances where revenue is recognized at a point in time. Revenue is recognized for an amount that reflects the consideration the corporation expects to be entitled to in exchange for those goods or services. Revenue recognition under ASC 606 varies based on contract type. However, revenue recognized on grants typically fall under the ASC 958-605 standard. This standard along with a subsequent accounting standard update aims to assist entities in (1) evaluating whether transactions should be accounted for as contributions or exchange transactions and (2) determining whether a contribution is conditional.

The CNA Corporation
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

Revenue recognized under ASC 606 and ASC 958-605 was as follows as of September 30:

Standard	2023	2022
ASC 606	\$ 127,963,568	\$ 128,190,604
ASC 958-605	13,538,529	9,566,794
Total Revenue	<u>\$ 141,502,097</u>	<u>\$ 137,757,398</u>

Grants for which the restrictions are met within the same year are reported as net assets without donor restriction. The remaining funding for conditional grants was \$24,701,839 as of September 30, 2023 and \$18,353,374 as of September 30, 2022, respectively.

The revenue by arrangement type was as follows as of September 30:

Contract Type	2023	2022
Cost Plus Fixed Fee	\$ 100,321,955	\$ 98,269,800
Firm Fixed Price	9,459,731	5,933,757
Time & Material	18,181,882	23,987,047
Grants	13,538,529	9,566,794
Total Revenue	<u>\$ 141,502,097</u>	<u>\$ 137,757,398</u>

The Corporation accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, and collectability of consideration is probable. The Corporation generally recognizes revenue over time as it performs because of continuous transfer of control to the customer. Because of control transferring over time, revenue is recognized based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the goods and services to be provided.

For certain service contracts where the Corporation has a right to consideration from a customer in an amount that corresponds directly with the value of the Corporation's performance completed to date (a contract in which the Corporation bills a fixed amount for each hour of service provided), the Corporation recognizes revenues equal to the amount the Corporation has a right to invoice for services performed.

The majority of the Corporation's contracts are with the federal government and have revenue recognition that occurs over time as a measure of progress because this method best depicts the transfer of assets to the customer as costs are incurred. These contracts are generally cost reimbursable plus fixed fee. Compensation for these contracts is based on funding from the government and may vary from year to year.

The Corporation also uses the cost-to-cost measure of progress because it best depicts the transfer of assets to the customer when costs are incurred. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Significant judgements are required to determine the performance obligations and the method of revenue recognition under ASC-606.

Contract modifications are routine in the performance of contracts. Contracts are often modified to account for changes in contract specifications or requirements. In most instances, contract modifications are for goods or services that are not distinct, and therefore are accounted for as part of the existing contract. The Corporation adopted the practical expedient related to contract modifications as described in ASC 606-10-65-1-f (4), and thus, for contracts that were modified before October 1, 2019, the Corporation did not retrospectively restate the contract for contract modifications.

The CNA Corporation

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

Payment terms are normal, and typically are due within 30 days of invoicing to the customer. An immaterial portion of the fixed fee is retained typically by the customer until final settlement of all indirect rates in effect during the contract period of performance. The Corporation determined this did not represent a significant financing component.

Contract assets and liabilities

Timing of revenue recognition may differ from the timing of invoices to customers. The Corporation records unbilled receivables (contract assets) when revenue is recognized prior to invoicing or when costs are in excess of billing. The corporation records deferred revenue (contract liabilities) when cash is received for services yet to be rendered or when billings exceed costs. Contract assets were 15,468,199 and 16,850,556 as of September 30, 2023 and 2022, respectively. Contract liabilities were \$533,627 and \$525,866 as of September 30, 2023 and 2022, respectively.

Costs in excess of billings and billings in excess of costs are recorded based on management's evaluation of contract terms and current project status. This evaluation includes negotiations with the client, and availability of funding. Such evaluations are updated periodically and accordingly could result in changes in the near term as facts and circumstances change. The Company invoices the U.S. Government using negotiated provisional indirect cost rates. Invoiced amounts are subject to receipt of negotiated, adjusted, and final indirect cost rates arising from incurred cost audits by the cognizant government agencies.

The Corporation's costs are subject to audit by various cognizant government agencies. The Corporation has final settlements for all costs incurred through fiscal year 2021. Management has established contingency reserves for potentially disallowed costs for any unsettled years. Management believes adjustments in excess of this reserve, if any, would not have a material effect on the financial statements. Future adjustments resulting from such audits which exceed the Corporation's estimates, could adversely impact profitability. However, the Corporation's past experience is that final rates resulting from incurred cost audits do not vary materially from the proposed settlement rates the Corporation submits to the U.S. Government after the end of the Corporation's fiscal year. Management estimated and has recorded adequate allowances to accommodate any resulting adjustment to the Corporation's receivables.

COVID-19 (Financial Reporting Alert 20-1)

The outbreak of the COVID-19 pandemic has caused domestic and global disruptions in operations for many organizations. The COVID-19 pandemic did not significantly impact the financial results of the Corporation for the year ended September 30, 2023, and 2022.

Tax Exempt Status

The Corporation is organized as a not-for-profit and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code in that it conducts research and analysis in the public interest. The repeal of the Internal Revenue Code Section 512(a)(7) for unrelated business income (UBIT) for qualified transportation fringes in 2020, resulted in requested refunds of previously paid UBIT. CNA had a receivable for the years ended September 30, 2023 and September 30, 2022 of \$21,000 and \$21,000, respectively, for the remaining taxes, penalties, and interest to be refunded from the Internal Revenue Service and the Virginia Department of Taxation. CNA received the refund from the Internal Revenue Service of \$71,914 in 2022. The remaining receivable balance of \$21,000 represents the balance due from the Virginia Department of Taxation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and overnight PNC Daily Interest Sweep account which is funds held in a deposit account at PNC Bank, National Association which earns interest at a rate determined by Bank. The Corporation considers all highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

The CNA Corporation

Notes to Financial Statements

For the Years Ended September 30, 2023 and 2022

Property and Equipment

Property and equipment are recorded at cost. Free-standing furniture and equipment are depreciated using the straight-line method over a five-year life. Furniture and equipment purchased to originally furnish its office building, including those built into the facility, are depreciated using the straight-line method over the 15-year term of the office lease. Computer hardware and software is depreciated using the straight-line method over four years and software is amortized using the straight-line method over four to ten years. Leasehold improvements are amortized over the shorter of the useful life or lease term.

Eligible internally developed software costs incurred are capitalized subsequent to the completion of the preliminary project stage. Such costs include external direct material and service costs, and internal employee payroll and payroll-related costs. After the software is ready for its intended use, the software costs are amortized over the estimated useful life of the software.

The Corporation considers the potential for impairment of its fixed assets by evaluating assets when net carrying value of each asset class equals or exceeds its estimated replacement value and by determining that the assets comprising the class are still in use. When assets are retired, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in operations.

Lease Obligations

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Lease (Topic 842). Under this standard lessees are now obligated to include in their financial statements a liability for lease payments and a right-of-use (ROU) asset representing their right to use the lease asset, whether it's an operating or finance lease. It also mandates the disclosure of information about leasing arrangements. In 2018, FASB issue ASU 2018-11, Targeted Improvements, which introduced an optional transition method. This method allows entities to adopt ASC 842 prospectively at the start of the adoption period without restating prior periods. CNA chose this transition method when adopting the standard on October 1, 2022, CNA recognized an operating lease ROU asset of \$76,721,394 and an operating lease liability of \$83,686,999 as well as a financing right of use asset and liability of \$951,150. CNA elected certain practical expedients when implementing the standard. These expedients allow CNA to avoid reassessing whether expired or existing contracts constitute leases, the classification of such lease, and the initial direct costs of existing leases as of the effective date. CNA also elected to combine lease and related non-lease components and to exclude a ROU asset or liability for short-term leases, defined as those with a term of twelve months or less. Lease assets and liabilities are recognized at the present value of the future lease payment at the lease commencement date. When the interest rate implicit in the CNA's lease is not readily determinable, CNA utilized its borrowing rate. CNA's lease terms include periods under options to extend or terminate the lease when it is reasonably certain that CNA will exercise that option. CNA generally uses the base, non-cancelable, lease term when determining the lease right-of-use assets and liabilities. Lease right-of-use assets also include any prepaid lease payments and lease incentives.

Net Assets

The Corporation has not historically received donor-funding and has no imposed restrictions on its net assets. All net assets of the Corporation as of September 30, 2023 and 2022 were available for general operations.

Accrued Leave

Annual paid time off is accrued as earned. Employees are permitted to accumulate unused annual leave subject to certain limitations. Employees may elect an annual payout of unused annual leave subject to limitations. Employees are paid for unused leave at termination or retirement pursuant to such limitations. Annual leave forfeitures in accordance with the limitations are not material.

The CNA Corporation
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

Using Estimates in Preparing Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as revenue, expenses, or other changes in the net assets during the reporting period. Actual results could differ from estimates.

Subsequent Events

Subsequent events have been evaluated through March 5, 2024 which is the date the financial statements were available to be issued.

Concentration of Credit Risk

The accounts receivable are due predominantly from U.S. Government agencies or other prime contractors to such agencies. The Corporation has not experienced any material credit losses on its accounts receivable. The composition of the overall credit risk was as follows as of September 30:

	<u>2023</u>	<u>2022</u>	<u>Collateral</u>
Accounts receivable/contract assets with the Department of Navy	11,639,983	15,112,463	Backed by the United States Government
	<u>\$ 11,639,983</u>	<u>\$ 15,112,463</u>	

3. Functional Expense

The three functional expense categories below list the costs associated with CNA's FFRDC programs, IPR programs, and Management and General expenses. The Federally Funded Research and Development Center (FFRDC) supports the Department of the Navy. The Institute for Public Research (IPR) provides support to a broad range of government sponsors in Health Care and Public Health, Homeland Security, Department of Justice, Human Capital Management, and Air Traffic Management. CNA specializes in objective, empirical research and analysis to help decision makers develop sound policies and manage programs more effectively. The Management and General expenses are not identifiable by a single program and expenses that relate to more than one functional area such as Occupancy, Information Technology, and Personnel Support are identified by their natural classification and allocated to the functional areas based on cost.

The functional expense schedule for September 30, 2023 was as follows:

<u>Expense Category</u>	<u>FFRDC</u>	<u>IPR</u>	<u>Management and General</u>	<u>Total</u>
Salaries and fringe	\$ 66,351,665	\$ 24,263,865	\$ 14,627,226	\$ 105,242,756
Consultants and outside services	1,693,153	9,374,456	1,483,524	12,551,133
Occupancy	5,819,970	2,921,505	1,966,133	10,707,608
Information technology	3,481,263	1,707,724	1,268,542	6,457,529
Training and personnel support	401,049	259,781	406,907	1,067,737
Travel and related	2,847,361	854,809	359,742	4,061,912
Supplies	123,708	139,816	129,001	392,525
September 30, 2023	<u>\$ 80,718,169</u>	<u>\$ 39,521,956</u>	<u>\$ 20,241,075</u>	<u>\$ 140,481,200</u>

The CNA Corporation
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

The functional expense schedule for September 30, 2022 was as follows:

Expense Category	FFRDC	IPR	Management and General	Total
Salaries and fringe	\$ 64,072,125	\$ 21,534,348	\$ 17,185,953	\$ 102,792,426
Consultants and outside services	1,742,853	11,668,069	1,715,273	15,126,195
Occupancy	6,336,654	2,341,550	2,123,383	10,801,587
Information technology	3,623,316	1,343,732	1,347,030	6,314,078
Training and personnel support	468,123	269,822	748,013	1,485,958
Travel and related	2,310,009	388,549	164,060	2,862,618
Supplies	128,557	240,569	147,408	516,534
Other corporate expenses	-	-	677,357	677,357
September 30, 2022	<u>\$ 78,681,637</u>	<u>\$ 37,786,639</u>	<u>\$ 24,108,477</u>	<u>\$ 140,576,753</u>

4. Contract Receivables and Assets

Contract receivables and assets consist of billed amounts and contract assets consist of unbilled amounts. Contract receivables represent amounts that have been billed as of September 30, 2023 and September 30, 2022. Contract assets represent earned amounts that cannot be billed yet under terms of the contract as well as amounts retained. Balances outstanding as of September 30 are as follows:

	<u>2023</u>	<u>2022</u>
Contract receivables	\$ 4,406,099	\$ 5,924,494
Contract assets	15,468,199	16,850,556
	<u>19,874,298</u>	<u>22,775,050</u>
Less: Reserve for doubtful accounts	(436,104)	(713,086)
	<u>\$ 19,438,194</u>	<u>\$ 22,061,964</u>

Employee and other receivables

Employee and other receivables consist of business related employee travel, employee tuition assistance, and long-term advances for employees on off-site special assignments for the FFRDC. Balances outstanding as of September 30, are as follows:

	<u>2023</u>	<u>2022</u>
Employee and other receivables	\$ 277,421	\$ 96,278
Less: Reserve for doubtful accounts	(3,001)	(3,001)
	<u>\$ 274,420</u>	<u>\$ 93,277</u>

5. Investments

The portfolio on September 30, 2023 consisted of a diversified combination of index funds and fixed income funds, with domestic and international holdings of approximately 82% and 18%, respectively. Investment income, net of expenses, for years ended September 30, 2023 and 2022 was \$734,141 and \$788,712, respectively.

The CNA Corporation
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Equity Securities	\$ 14,230,546	\$ 18,332,547	\$ 13,870,085	\$ 15,218,599
Fixed income Securities	13,796,208	11,582,224	13,491,079	11,418,459
	<u>\$ 28,026,754</u>	<u>\$ 29,914,771</u>	<u>\$ 27,361,164</u>	<u>\$ 26,637,058</u>

CNA determines fair value in accordance with the “Fair Value Measurements” standard. This standard establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect entities’ 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 US generally accepted accounting standard describes a fair value hierarchy 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 following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by CNA for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instruments categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Following is a description of CNA’s valuation methodologies for assets and liabilities measured at fair value:

Fair value for Level 1 is based upon quoted prices in active markets that CNA has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. CNA does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. There were no Level 2 investments during fiscal 2023 and 2022.

Fair value for Level 3, is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. CNA did not own any investments that are categorized under Level 3 valuation techniques, as of September 30, 2023 and September 30, 2022.

The CNA Corporation
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

The following table presents the financial instruments carried at fair value as of September 30, 2023 by caption on the statement of financial position valuation hierarchy defined above:

<u>Assets</u>	<u>Level 1 Total Fair Value</u>
Investments:	
Fixed Income - International Corporate	\$ 1,181,189
Fixed Income - Other	10,401,034
Equity - U.S. Common Stocks	14,083,641
Equity - International Common Stocks	4,248,907
Total Investments	<u>\$ 29,914,771</u>

The following table presents the financial instruments carried at fair value as of September 30, 2022:

<u>Assets</u>	<u>Level 1 Total Fair Value</u>
Fixed Income - International Corporate	\$ 1,156,684
Fixed Income - Other	10,261,775
Equity - U.S. Common Stocks	11,699,000
Equity - International Common Stocks	3,519,599
Total Investments	<u>\$ 26,637,058</u>

Other Financial Instruments

The carrying amounts of cash and cash equivalents, short-term investments, receivables, accounts payable and accrued expenses, and notes payable approximate their fair values because of the relatively short-term maturities of these instruments.

6. Liquidity

The Corporation's financial assets available within one year of the balance sheet date for general expenditures are as follows as of September 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 17,719,107	\$ 11,987,905
Contract receivables	19,438,193	22,061,964
Employee and other receivables	<u>274,420</u>	<u>93,277</u>
Total	<u>\$ 37,431,720</u>	<u>\$ 34,143,146</u>

The Corporation invests excess cash in an overnight PNC Daily Interest Sweep account which is funds held in a deposit account at PNC Bank, National Association which earns interest at a rate determined by Bank. In order to manage any unanticipated liquidity needs, there is a line of credit in the amount of \$19,261,148 available which it could draw upon. Additionally, the investment fund, with a balance of \$29,914,771 as of September 30, 2023, is available if necessary.

The CNA Corporation
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

7. Property and Equipment

The following summarizes assets owned by the Corporation as of September 30:

	<u>2023</u>	<u>2022</u>
Computer hardware and software	\$ 10,837,022	\$ 9,922,782
Capitalized software costs	4,796,909	4,796,909
Furniture and equipment	5,428,257	5,554,848
Leasehold improvements	<u>12,747,654</u>	<u>12,728,704</u>
	33,809,842	33,003,243
Less: Accumulated depreciation	(19,290,113)	(17,618,235)
Accumulated amortization on capitalized software	<u>(4,782,792)</u>	<u>(4,733,735)</u>
Property and equipment, net	<u>\$ 9,736,937</u>	<u>\$ 10,651,273</u>

8. Notes Payable

Revolving Line of Credit

The Corporation maintains a \$20,000,000 line of credit with a bank for the purpose of providing short-term working capital. As of September 30, 2023 and 2022, there were no borrowings outstanding. The line of credit also serves as collateral for a letter of credit for \$738,852 issued to the Corporation's current landlord (Note 10). There are no amounts outstanding on the line of credit. Borrowings on the line accrue interest equivalent at leverage-dependent premiums over Bloomberg Short-Term Bank Yield ("BSBY") plus a margin ranging from 1.1% to 1.6% based on the Corporation's leverage ratio. Fees accrue based on the unused amount of the line. In the opinion of management, the Corporation was in compliance with all covenants as of September 30, 2023 and 2022.

9. Retirement Plans

403(b) Retirement Plan

The Corporation provides retirement benefits to its employees through a combination of 403(b) annuity contracts with the Teachers' Insurance and Annuity Association and College Retirement Equities Fund and 403(b) custodial accounts with Fidelity Investments. Participation by the employees in the plan is voluntary. The Corporation currently matches 1.6 to 3.3 times an employee's contribution, or from 8% to 10% of adjusted salary, as defined in the Plan, depending on the employee's length of service and percentage of salary contributed to the Plan. All full-time and certain part-time employees are eligible to enroll in the Plan immediately upon employment. Both employer and employee contributions are fully funded and vested immediately. Retirement plan expense for the years ended September 30, 2023 and 2022 was \$6,465,066 and \$6,347,991, respectively.

Deferred Compensation Plan

CNA has a deferred compensation plan under section 457(b) of the Internal Revenue Code. The CNA 457(b) Deferred Compensation Plan is only offered to a select group of key employees. The Plan is a non-qualified tax-deferred plan that functions much like the 403(b) retirement plan, except there are no employer contributions to the fund. All funds in the plan are employee funds; there are no employer contributions. Even though there are no employer contributions, in accordance with the plan provisions, the assets are owned by CNA until they are distributed to the employee. The amount is presented in both the Long-term assets and Long-term liabilities section of the Statement of Financial Position. The balances were \$3,015,626 million and \$2,431,454 million as of September 30, 2023 and 2022, respectively. The assets within the 457(b) are Level 1 investments.

The CNA Corporation
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

10. Commitments and Contingencies

Leases

The Corporation leases office space and equipment under non-cancelable operating and financing leases agreements expiring at various times through May 2034. Operating lease right-of-use (ROU) assets and operating lease obligations are recognized based on the present value of lease payments over the lease term, where the initial term of lease exceeds 12 months. CNA uses incremental borrowing rate to calculate the present value of lease payments because the leases do not have a readily determinable implicit discount rate. Variable lease payments are not included in the calculation of the ROU asset and lease obligation. Lease payments related to periods subject to renewal options are also excluded for purposes of calculating the operating ROU asset and operating lease obligation unless CNA is reasonably certain to exercise the option to extend the lease. Rent payments totaled \$9,024,725 and \$9,127,370 for the years ended September 30, 2023 and 2022, respectively. The provisions of the office leases include fixed annual rent increases of 2.25% per year, which are recognized ratably over the term of the lease. The difference between the straight-line rent expense and the amount of the annual cash payments was \$374,324 and \$350,590 for the years ended September 30, 2023 and 2022, respectively.

Lease cost	2023
Finance lease cost	
Amortization of right-of-use assets	\$ 105,577
Interest on finance lease obligations	27,123
Total finance lease cost	<u>132,699</u>
Operating lease cost	8,576,566
Short-term and variable lease costs	<u>158,856</u>
Total operating lease cost	<u>8,735,422</u>
Total lease cost	<u>\$ 8,868,121</u>

Other information

Right-of-use assets obtained	
In exchange for new finance lease obligations	\$ 884,208
Weighted-average remaining lease term	
Operating leases	10.58 years
Finance leases	3.77 years
Weighted-average discount rate	
Operating leases	4.20%
Finance leases	5.53%

The CNA Corporation
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

Minimum rental commitments, determined on a cash basis, under these leases were as follows as of September 30, 2023:

2024	\$ 8,607,587
2025	8,819,138
2026	9,022,331
2027	9,176,051
2028	9,266,893
Thereafter	<u>54,901,840</u>
Total minimum lease payments	<u>\$ 99,793,840</u>
Less: Imputed interest	<u>(20,002,130)</u>
Present value of net minimum lease payments	<u>\$ 79,791,710</u>

Minimum rental commitments, determined on a cash basis, under these leases were as follows as of September 30, 2022:

2023	\$ 8,138,552
2024	8,317,432
2025	8,504,952
2026	8,693,333
2027	8,888,244
Thereafter	<u>63,376,538</u>
Total minimum payments required	<u>\$ 105,919,052</u>

Effective January 1, 2022, the Company entered the Eleventh Amendment to the Lease with the building owner to modify the Lease of the headquarters building. The Amendment extended the Lease term by 5 years to May 31, 2034 and eliminated the 8th floor from our leased premises.

Costs Subject to Government Audit

The Corporation's costs are subject to audit by various cognizant government agencies. The Corporation has final settlements for all costs incurred through fiscal year 2021. Management has established contingency reserves for potentially disallowed costs for any unsettled years. Management believes adjustments in excess of this reserve, if any, would not have a material effect on these financial statements.

Legal Contingencies

The Corporation is subject to litigation from time to time relating to matters that arise in the ordinary course of business. Management believes that any ultimate liability resulting from these contingencies will not have a material effect on the Corporation's financial position, change in net assets, or cash flows.

11. Asset Retirement Obligation

On June 7, 2014, CNA relocated to the current headquarters. The Corporation is required to remove certain items from the facility upon termination of the lease. In accordance with FASB ASC 410-20, *Asset Retirement Obligations*, the fair value of the liability increased to \$786,435 and is included in Other Liabilities Long-term. An estimate was received in fiscal year 2021 which increased the asset retirement obligation by \$297,850 over the original term of the lease. The amended lease, effective January 1, 2022, reduced the floorspace and extended the life of the lease by 5 years which increased the liability by \$25,158. CNA capitalized the original estimate as part of the carrying amount of the leasehold improvement, which is depreciated on a straight-line basis over 15 years.

The CNA Corporation
Notes to Financial Statements
For the Years Ended September 30, 2023 and 2022

The following table reflects all changes to the asset retirement obligation liability:

	<u>2023</u>	<u>2022</u>
Beginning balance	\$ 750,324	\$ 713,994
Liabilities incurred	-	-
Accretion expense	10,952	11,172
Revision in estimate	25,158	25,158
End of year	<u>\$ 786,435</u>	<u>\$ 750,324</u>

Schedule of Expenditures of Federal Awards

The CNA Corporation

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2023

Assistance Listing Number	Other Identifying Number/Information	Federal Grantor	Direct Expenditures	Passthrough Expenditures	Pass Through Grantor (Pass Through Award No.)	Federal Expenditures	Passed to Sub-Recipients
RESEARCH AND DEVELOPMENT CLUSTER							
U. S. Department of Defense							
12.RD	12.N00014-16-D-5003	Navy FFRDC	5,044,543			\$ 5,044,543	\$ -
12.RD	12.N00014-22-D-7001	Navy FFRDC	88,276,041			88,276,041	
12.RD	12.Classified	Federal Other	2,236,058			2,236,058	
12.RD	12.Classified	Federal Other	537,025			537,025	
12.RD	12.Classified	Federal Other	6,748			6,748	
Total U.S. Department of Defense						96,102,415	-
U.S. Department of Justice							
16.751	16.751.2016-DG-BX-K041	Bureau of Justice Assistance	(1,495)			(1,495)	-
16.RD	16.15JCR118P00000218	Bureau of Justice Assistance	1,007			1,007	
16.751	16.751.2018-DP-BX-K013	Bureau of Justice Assistance	958			958	
16.738	16.738.2018-DP-BX-K015	Bureau of Justice Assistance	444,239			444,239	
16.560	16.560.2018-75-CX-0001	National Institute of Justice	185,039			185,039	
16.560	16.560.2018-75-CX-0019	National Institute of Justice	196,720			196,720	647
16.827	16.827.2019-ZB-BX-K001	Bureau of Justice Assistance	955,222			955,222	142,025
16.738	16.738.2019-DG-BX-K001	Bureau of Justice Assistance	3,623,558			3,623,558	(25,065)
16.738	16.738.2019-WY-BX-K001	Bureau of Justice Assistance	229,709			229,709	
16.835	16.835.2019-BC-BX-K001	Bureau of Justice Assistance	1,553,960			1,553,960	114,648
16.710	16.710.2019-CK-WX-K005	Community Oriented Policing Services	5,651			5,651	
16.710	16.710.2019-CK-WX-K006	Community Oriented Policing Services	71,235			71,235	
16.602	16.602.20PR07GLE4	National Institute of Corrections	9,052			9,052	
16.827	16.827.2019-ZB-BX-K005	Bureau of Justice Assistance		1,339	Council of State Government - 21-SA-161-2916	1,339	
16.602	16.602.2021-CS26GLH3	Bureau of Justice Assistance	43,955			43,955	2,500
16.738	16.738.15PBJA-21-GK-02617-MUMU	Bureau of Justice Assistance	907,638			907,638	233,897
16.560	16.560.2018-75-CX-K005	Bureau of Justice Assistance		14,303	The Urban Institute-101749-0001-CNA-01	14,303	
16.RD	16.839.2019-YS-BX-0072	Bureau of Justice Assistance		59,222	City of Milwaukee-E0000018490	59,222	
16.710	16.710.15JCOPS-21-GK-02399-SPPS	Community Oriented Policing Services	817,680			817,680	133,905
16.738	16.738.15PBJA-21-GK-04010-JAGP	Bureau of Justice Assistance	608,766			608,766	
16.560	16.560.15PNJ-21-GG-03267-RESS	National Institute of Justice	156,818			156,818	19,682
16.738	16.738.15PBJA-21-GK-04009-MUMU	Bureau of Justice Assistance		164,321	National Distric Attorne-9454	164,321	
16.560	16.560.15PNJ-21-GG-02723-DOMR	National Institute of Justice	183,181			183,181	
16.560	16.560.15PNJ-21-GG-02707-RESS	National Institute of Justice	95,890			95,890	
16.812	16.812.2019-UP-BX-K001	Bureau of Justice Assistance		58,206	The Urban Institute-102012-0001	58,206	
16.835	16.835.2020-BX-BX-K001	Bureau of Justice Assistance		8,081	Justice & Security Strate-BWC SRT JSS	8,081	
16.602	16.602.22PR10GLL7	National Institute of Corrections	32,665			32,665	
16.710	16.710.15JCOPS-22-GK-03336-CRIT	Community Oriented Policing Services	345,610			345,610	97,133
16.738	16.738.15PBJA-22-GK-01557-JAGT	Bureau of Justice Assistance	574,703			574,703	29,468
16.561	16.561.15PNJ-22-GG-03142-RESS	National Institute of Justice	26,126			26,126	
16.561	16.561.15PNJ-22-GG-03138-RESS	National Institute of Justice	11,992			11,992	
16.710	16.710.15JCOPS-22-GK-03548-PPSE	Community Oriented Policing Services	8,495			8,495	
16.734	16.734.15PBJA-22-GK-03705-JAGP	Bureau of Justice Assistance	44,989			44,989	
16.602	16.602.23CS22GLO2	National Institute of Corrections	7,695			7,695	
Total U.S. Department of Justice						11,446,530	748,840
U.S. Department of Homeland Security							
97.RD	97.GS02F010GA/70FB8018A00000002	Federal Emergency Management Agency		55,753	Eagle Hill Consulting, LLC -The CNA Corporation -- FEMA FOD OAA	55,753	-
97.RD	97.70FA3018A00000006/GS-35F-	Federal Emergency Management Agency		1,292,468	Karsun Solutions - SA-2019-0026/SA-2019-0029	1,292,468	
97.RD	97.005 EMW-2021-CA-00070-S01	Federal Emergency Management Agency		3,895	Mississippi State University -EMW-2021-CA-00070-S01	3,895	
97.RD	97.70FA5021F00000154	Federal Emergency Management Agency		129,007	ADG-REI Technology Ventur-FEMADEX-101821-02	129,007	
97.067	97.067.EMQ-2020-SS-00096	Federal Emergency Management Agency		19,558	VIPC-EMQ-2020-SS-00096	19,558	
97.RD	97.CO2-21-062B (CW92333)	Federal Emergency Management Agency		392,696	District of Columbia - 21-062B/CW92333	392,696	
Total U.S. Department of Homeland Security						1,893,377	-

The accompanying notes are an integral part of this schedule.

The CNA Corporation

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2023

Assistance Listing Number	Other Identifying Number/Information	Federal Grantor	Direct Expenditures	Passthrough Expenditures	Pass Through Grantor (Pass Through Award No.)	Federal Expenditures	Passed to Sub-Recipients
U.S. Department of Transportation							
20.RD	20.DTFAWA-15-D-00029	Federal Aviation Administration		1,884,722	A3 Technologies - 329-003	1,884,722	-
20.RD	20.DTFAWA-10A-00208-0006	Federal Aviation Administration		385,822	GRA, Incorporated - Task13	385,822	-
20.RD	20.DTFAWA11A-00217	Federal Aviation Administration		212,237	iCatalyst, Inc - ICI_CNA-2020 09 28	212,237	-
20.RD	20.DTFAWA-15-D-00030/693KA8-21-F-00069	Federal Aviation Administration		19,210	LS Technologies - S-202119-CNA-00030	19,210	-
20.RD	20.693KA-21-D-00004/693KA9-21-F-00255	Federal Aviation Administration		1,569,769	Oasis Systems, LLC - PSS-CNA-019	1,569,769	-
20.109	20.109.15-C-UAS-LVM-002	Federal Aviation Administration		395,826	University of Vermont and State Agricultural College - AWD00001091SUB00000390□	395,826	-
20.RD	20.693KA9-21-D-00005	Federal Aviation Administration		12,434	LS Technologies, LLC:S-202301-CNA001-PSS002□	12,434	-
20.RD	20.DTFAWA-10A-00208/693KA9-23-F-00038	Federal Aviation Administration		505,814	GRA, Incorporated - Task 2 and 3	505,814	-
20.RD	20.693KA9-22-D-00003	Federal Aviation Administration		113,695	A3 Technology Inc - 05100-007	113,695	-
20.RD	20.697DCK-23-C-00292	Federal Aviation Administration	5,058			5,058	-
Total U.S. Department of Transportation						5,104,587	-
U.S. Department of Energy							
81.RD	81.DE-AC02-06CH11357	Department of Energy		29,295	Argonne National Laboratory 1F-60444	29,295	-
81.RD	81.DE-AC02-06CH11357	Department of Energy		644,402	Argonne National Laboratory 2F-60035	644,402	-
Total U.S. Department of Energy						673,697	-
U.S. Department of State							
19.026	19.026-SPMWRA20CA0073	US Department of State	125,750			125,750	4,400
19.026	19.026.SPMWRA21CA3038	US Department of State	257,761			257,761	-
19.026	19.026.S-PMWRA-21-CA-3053	US Department of State	416,620			416,620	129,227
19.RD	19.19AQM21P1807	US Department of State	171,530			171,530	-
Total U.S. Department of State						971,661	133,627
U.S. Department of Health and Human Services							
93.RD	93.75A50119D00033/TO 75A50119F33001	Department Health and Human Services	308,449			308,449	-
93.RD	93.HHSP2332015000711	Department Health and Human Services		95,628	ICF Incorporated, L.L.C. - 61324	95,628	-
93.391	93.391/93.354.SS-2023-DPHS-REGIO-01	COVID 19 - Department Health and Human Services		156,855	New Hampshire Department of Health and Human Services - SS-2023-DPHS-REGIO-01□	156,855	-
Total U.S. Department of Health and Human Services						560,932	-
U.S. Department of Commerce							
11.617	11.617.70NANB22H197	US Department of Commerce		145,565	Mississippi State University-70NANB22H197	145,565	-
Total U.S. Department of Commerce						145,565	-
U.S. Agency for International Development							
98.RD	98.7000558044	MIT LINCOLN Laboratory	110,989			110,989	-
Total U.S. Agency for International Development						110,989	-
National Aeronautics and Space Administration (NASA)							
43.RD	NNA16BD60C			54,580	Science and Technology Corporation - 23-01-9091□	54,580	-
Total National Aeronautics and Space Administration						54,580	-
National Security & Space Sector							
16.RD	16.224113			131,751	Science Applications International Corporation, Inc. - 224113	131,751	-
Total National Security and Space Sector						131,751	-
Total Research and Development Cluster						117,196,084	882,468
Total Expenditure of Federal Awards			\$ 108,639,630	\$ 8,556,454		\$ 117,196,084	\$ 882,468

The accompanying notes are an integral part of this schedule.

The CNA Corporation

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the federal expenditures of the CNA Corporation (the "Corporation") to perform research and development activities for the Federal Government for the year ended September 30, 2023. The amounts reported as federal expenditures were obtained from the Corporation's general ledger. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the financial statements. For purposes of the Schedule, federal awards include all contracts, grants, and similar agreements entered into directly between the Corporation and agencies and departments of the Federal Government and all sub-awards to the Corporation by non-federal organizations pursuant to federal contracts, grants and similar agreements. Negative numbers in the Schedule represent adjustments to amounts reported in prior years in the normal course of business. Where full Assistance Listing Numbers are not available, other identifying grants and contract numbers are presented.

2. Summary of Significant Account Policies

For purposes of the Schedule, expenditures for federal award programs are recognized on the accrual basis of accounting. The Corporation utilizes billing rates negotiated with the Office of Naval Research (ONR) and did not elect to use the 10% de minimis rate as covered in §200.414 Indirect (F&A) costs.

Part II

**Reports on Compliance and
Internal Control**



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 Trustees of the CNA Corporation

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 CNA Corporation (the "Corporation"), which comprise the statement of financial position as of September 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 March 5, 2024, which includes an emphasis of matter paragraph as the Corporation changed the manner in which it accounts for its leases in 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

PricewaterhouseCoopers LLP

Washington, DC
March 5, 2024



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

To the Board of Trustees of the CNA Corporation

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the CNA Corporation's (the "Corporation") 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 the Corporation's major federal programs for the year ended September 30, 2023. The Corporation'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, the Corporation 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 September 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 the Corporation 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 the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Corporation'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 the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting



material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation'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

Washington, DC
March 5, 2024

Part III
Findings

The CNA Corporation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified Opinion
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance which is material to the consolidated financial statements noted?	No

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516 (a)?	No

Identification of major programs:

<u>Major Program(s)</u>	<u>Assistance Listing Number(s)</u>	
Research and Development Cluster	Various	
Dollar threshold used to distinguish between Type A and Type B programs:		\$3,000,000
Auditee qualified as low-risk auditee?		Yes

The CNA Corporation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2023

Section II – Financial Statement Findings

There are no matters to report.

Section III – Federal Award Findings and Questioned Costs

There are no matters to report.

The CNA Corporation
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2023

Section III – Federal Award Findings and Question Costs

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