The Charles Stark Draper Laboratory, Inc.

Report on Federal Awards in Accordance with the Uniform Guidance

E.I.N. #042505372

June 25, 2021

The Charles Stark Draper Laboratory, Inc.
Summary of Reports and Index
June 25, 2021

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Charles Stark Draper Laboratory, Inc., ("Draper") which comprise the statements of financial position as of June 25, 2021 and June 26, 2020 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Draper's preparation and fair presentation of the financial statements 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 Draper's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Charles Stark Draper Laboratory, Inc. as of June 25, 2021 and June 26, 2020, 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.

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Other Matters

Other 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 June 25, 2021 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. The 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 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 September 23, 2021 on our consideration of Draper'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 June 25, 2021. 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 Draper's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

September 23, 2021

The Charles Stark Draper Laboratory, Inc.
Statements of Financial Position
June 25, 2021 and June 26, 2020

Assets	**2021**	**2020**
Current assets		
Cash and cash equivalents	$ 66,026,485	$ 32,838,440
Accounts receivable, net of allowance of $2,543,616 and $3,854,512 in 2021 and 2020, respectively	41,430,854	41,690,516
Unbilled contract costs and fees, net of allowance of $4,315,103 and $3,682,236 in 2021 and 2020, respectively	100,199,089	92,369,985
Other current assets	18,301,877	14,267,900
Total current assets	225,958,305	181,166,841
Long-term investments	202,759,532	170,417,238
Long-term accounts receivable	-	8,408,493
Notes receivable	275,624	275,623
Capital leases	946,572	1,157,730
Deferred charges and other assets	-	389,534
Deferred financing costs, net	61,008	99,537
Prepaid pension benefits	25,105,504	18,556,390
Property and equipment, net	228,474,568	241,335,042
Total assets	$ 683,581,113	$ 621,806,428
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued contract costs	$ 53,097,675	$ 64,520,087
Accrued compensation and related expenses	44,105,589	38,190,903
Current portion of notes payable	2,140,678	2,023,087
Current portion of bonds payable	2,990,000	2,925,000
Other accrued expenses	3,054,829	2,758,945
Total current liabilities	105,388,771	110,418,022
Accrued post-retirement benefits	10,489,465	53,731,042
Notes payable, long-term	8,150,116	10,248,779
Bonds payable, net of deferred financing costs	95,997,770	98,940,201
Deferred revenue and other long-term liabilities	39,148,659	34,720,452
Total liabilities	259,174,781	308,058,496
Net assets without donor restrictions	424,406,332	313,747,932
Total liabilities and net assets	$ 683,581,113	$ 621,806,428

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

The Charles Stark Draper Laboratory, Inc.
Statements of Activities
June 25, 2021 and June 26, 2020

Operating revenues	**2021**	**2020**
Gross revenue	$ 721,951,532	$ 668,057,226
Other income	2,138,355	4,158,183
Total operating revenues	724,089,887	672,215,409
Operating expenses		
Direct costs		
Subcontracts	213,796,305	173,960,712
Salaries and wages	149,679,023	144,655,891
Employee benefits	70,615,442	43,480,382
Materials, services, and rentals	40,302,639	70,417,009
Other, principally travel and equipment	53,365,730	58,060,736
Total direct costs	527,759,139	490,574,730
Indirect costs		
Salaries and wages	71,971,710	93,814,648
Employee benefits and vacations	29,817,943	44,310,404
Materials, services, and rentals	15,175,160	27,469,004
Depreciation and amortization	29,797,111	29,550,578
Facilities, communications, unallowables, and other	30,240,705	2,338,649
Total indirect costs	177,002,629	197,483,283
Total operating expenses	704,761,768	688,058,013
Increase (decrease) in net assets without donor restrictions from operations	19,328,119	(15,842,604)
Non-operating gains (losses)		
Interest expense and fees	(4,397,900)	(4,479,615)
Investment return (net of investment costs)	43,918,452	2,984,356
Other non-operating income (loss), net	941,766	2,187,806
Other components of net period benefit costs	11,914,420	3,133,955
Other changes in pension and post-retirement benefits	38,953,543	(15,781,257)
Total non-operating gains (losses), net	91,330,281	(11,954,755)
Increase (decrease) in net assets without donor restrictions	110,658,400	(27,797,359)
Net assets without donor restrictions, beginning of year	313,747,932	341,545,291
Net assets without donor restrictions, end of year	$ 424,406,332	$ 313,747,932

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

The Charles Stark Draper Laboratory, Inc.
Statements of Cash Flows
June 25, 2021 and June 26, 2020

Cash flows from operating activities	2021	2020
Increase (decrease) in net assets without donor restrictions	$ 110,658,400	$ (27,797,359)
Adjustments to reconcile change in net assets without donor restrictions to net cash used by operating activities		
Depreciation and amortization	29,797,111	29,550,578
Realized and net change in unrealized gains on long-term investments	(44,248,977)	(3,202,398)
Other changes in pension and post-retirement benefits	(38,953,543)	15,781,257
Loss on disposal of property and equipment	9,986	21,522
Estimated Cost Accounting Standards settlement and other non-cash adjustments	52,687	260,961
Changes in operating assets and liabilities		
Accounts receivable	259,660	(5,322,178)
Long-term accounts receivable	8,408,493	8,370,706
Capital leases	211,158	700,000
Prepaid pension benefits	(6,549,114)	(5,939,342)
Unbilled contract costs and fees	(7,829,105)	(11,995,269)
Other current assets	(4,033,975)	(1,233,585)
Deferred charges and other assets	475,633	817,796
Accounts payable and accrued contract costs	(12,268,054)	22,404,612
Accrued compensation and related expenses	990,213	3,230,168
Deferred revenue	4,577,598	(620,676)
Other accrued expenses	477,019	(614,703)
Net cash provided by operating activities	42,035,190	24,412,090
Cash flows from investing activities		
Additions to property and equipment	(16,153,670)	(15,752,966)
Proceeds from sale of property and equipment	-	3,260
Timing differences on purchases and sales	(1,224,303)	933,087
Purchase of investment securities	(166,310,880)	(129,625,543)
Proceeds from sale of investment securities	179,747,781	141,269,506
Net cash used in investing activities	(3,941,072)	(3,172,656)
Cash flows from financing activities		
Repayment of debt	(4,906,073)	(4,492,530)
Proceeds from issuance of debt	-	5,797,366
Net cash (used in) provided by financing activities	(4,906,073)	1,304,836
Net increase in cash and cash equivalents	33,188,045	22,544,270
Cash and cash equivalents, beginning of year	32,838,440	10,294,170
Cash and cash equivalents, end of year	$ 66,026,485	$ 32,838,440

Supplemental disclosure of cash flow information		
Interest paid	$ 4,441,233	$ 4,798,668
Property and equipment in accounts payable and accrued contract costs	$ 3,233,331	$ 3,422,842

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

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 both FY2021 and FY2020.

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 Accounting Standards Update ("ASU") 2014-09: *Revenue from Contracts with Customers* ("Topic 606").

Draper delivers a majority 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"), and Cost Accounting Standards ("CAS"), together 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 accounting method utilized for each contract.

Revenue on the majority 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 $721,127,215 and $667,570,920 over time and $2,962,672 and $4,644,489 at a point in time during FY2021 and FY2020, 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.

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
Draper recovers overhead costs associated with projects under construction in accordance with CAS. As permitted under CAS, overhead costs associated with the development of software systems are recorded as deferred charges and amortized, on the straight-line method, over five years. The difference between rental revenue recognized on a straight-line basis and the cash collected is recorded in deferred charges and other assets.

Property and Equipment
Equipment with a unit cost of more than $5,000 and having a useful life of one year or more 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-two 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 cleared from the accounts and any resulting gain or loss is reflected in other non-operating income (loss), 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.

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 the majority of its cash and cash equivalents at two institutions.

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. There are certain 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. Main components of advertising expense consist of communication costs such as airtime on television. These costs are expensed when advertising programs take place.

Recently Adopted Accounting Pronouncements
In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities* (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 improves the current guidance on determining whether transactions are contributions or exchange transactions. This ASU also requires determining if a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. ASU No. 2018-08 is effective for resource recipients for annual reporting periods beginning after December 15, 2018 and for resource providers for annual reporting periods beginning after December 15, 2019. The adoption of this guidance had no impact on Draper's financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement - Disclosure Framework* (Topic 820). The updated guidance improves the disclosure requirements on fair value measurements. The updated guidance is effective for fiscal years, beginning after December 15, 2019. Draper adopted this update on June 27, 2020 and the adoption of this guidance had no impact on Draper's financial statements.

Recently Issued Accounting Pronouncements
In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this update increase comparability and transparency among organizations by recognizing most lease assets and liabilities on the balance sheet for leases lasting beyond one year and disclosing key information about leasing arrangements. ASU 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 is evaluating the impact that ASU 2016-02, as amended, may have on its financial statements and expects to adopt this in FY2023.

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 commitments to private capital of $6,457,742 and $6,488,016 as of June 30, 2021 and June 30, 2020, respectively, which are expected to be funded from the existing long-term investment assets.

Draper's long-term investment portfolio consists of the following at June 25, 2021 and June 26, 2020:

Investment securities	2021	2020
Cash and money market mutual funds	$ 4,495,747	$ 9,231,970
Global equity	113,272,131	85,298,541
Global fixed income	26,877,521	15,905,394
Absolute return	27,179,454	30,075,867
Real assets	8,571,150	12,117,205
Private capital	16,179,071	11,523,957
Insurance contracts and other	694,474	561,722
Total investment securities at fair value	$ 197,269,548	$ 164,714,656
Other investments	5,489,984	5,702,582
Total investment securities at amortized cost	$ 5,489,984	$ 5,702,582
Total long-term investments	$ 202,759,532	$ 170,417,238

The following tables present information about the assets that are measured at fair value on a recurring basis as of June 25, 2021 and June 26, 2020 and indicate the fair value hierarchy of valuation techniques Draper utilized to determine such fair value:

Investment securities	June 25, 2021	Level 1 Assets	Level 2 Assets	Level 3 Assets	NAV as Practical Expedient
Cash and money market mutual funds	$ 4,495,747	$ 4,495,747	$ -	$ -	$ -
Global equity funds	113,272,131	34,622,220	-	-	78,649,911
Global fixed income	26,877,521	11,063,464	-	-	15,814,057
Absolute return	27,179,454	-	-	-	27,179,454
Real assets	8,571,150	4,222,102	-	-	4,349,048
Private capital	16,179,071	-	-	-	16,179,071
Insurance contracts and other	694,474	-	449,102	245,372	-
	$ 197,269,548	$ 54,403,533	$ 449,102	$ 245,372	$ 142,171,541

Investment securities	June 26, 2020	Level 1 Assets	Level 2 Assets	Level 3 Assets	NAV as Practical Expedient
Cash and money market mutual funds	$ 9,231,970	$ 9,231,970	$ -	$ -	$ -
Global equity funds	85,298,541	33,511,582	-	-	51,786,959
Global fixed income	15,905,394	6,718,747	-	-	9,186,647
Absolute return	30,075,867	2,017,181	-	-	28,058,686
Real assets	12,117,205	4,547,233	-	-	7,569,972
Private capital	11,523,957	-	-	-	11,523,957
Insurance contracts and other	561,722	-	347,372	214,350	-
	$ 164,714,656	$ 56,026,713	$ 347,372	$ 214,350	$ 108,126,221

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 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.

The below tables represent the redemption terms and restrictions on Draper's investments measured using NAV as a practical expedient as of June 25, 2021 and June 26, 2020, respectively.

Redemption Terms as of June 25, 2021

Assets	Fair value	Redemption terms	Redemption restrictions
Global equities	$ 78,649,911	Monthly, quarterly, semi-annually, and annual liquidity depending on the fund	3-90 days notice depending on the fund; 25% gate on one holding
Global fixed income	15,814,057	Daily, bi-monthly, monthly, and quarterly liquidity depending on the fund	5-60 days notice depending on the fund
Absolute return	27,179,454	Quarterly, semi-annually, and annual liquidity depending on the fund	Redemption of between 12.5% and 100% with 45-100 days notice depending on the fund. 2-year hardlock once capital has been called on one position. 2-year hardlock expiring August 2021 on a second position.
Real assets	4,349,048	Monthly	30 days notice
Private capital	16,179,071	Illiquid	
	$ 142,171,541		

Redemptions as of June 26, 2020

Assets	Fair value	Redemption terms	Redemption restrictions
Global equities	$ 51,786,959	Monthly, quarterly, and semi-annually liquidity depending on the fund	6-90 days notice depending on the fund; 25% gate on one holding
Global fixed income	9,186,647	Daily, bi- monthly, monthly, and quarterly liquidity depending on the fund	2-60 days notice depending on the fund
Absolute return	28,058,686	Quarterly, semi-annually, and annual liquidity depending on the fund	Redemption of between 12.5% and 100% with 45-100 days notice depending on the fund
Real assets	7,569,972	Monthly	5-30 days notice depending on the fund
Private capital	11,523,957	Illiquid	
	$ 108,126,221		

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, at June 25, 2021 and June 26, 2020:

	2021	2020
Data processing equipment	$ 69,068,421	$ 54,384,003
Lab and other equipment	154,277,743	149,492,535
Building and leasehold improvements	189,838,822	187,398,909
Building	69,266,323	69,266,323
Land	32,495,864	32,495,864
Construction in progress	7,825,420	13,634,814
	522,772,593	506,672,448
Less: Accumulated depreciation	294,298,025	265,337,406
Property and equipment, net	$ 228,474,568	$ 241,335,042

Depreciation expense was $29,797,111 and $29,490,810 for FY2021 and FY2020, respectively, while amortization expense was $0 and $59,768 for FY2021 and FY2020, respectively. Draper capitalizes interest cost incurred during the period of construction of capital assets. Interest costs capitalized during FY2021 and FY2020 were $88,538 and $45,684, respectively.

Draper also maintains a 48% ownership in One Hampshire at Kendall Square Condominium ("Hill Building"). Rental income, including parking revenue, included within other non-operating income (loss), net in the statements of activities was $194,400 and $1,302,972 for FY2021 and FY2020, respectively. In addition, Draper incurred $801,894 and $861,616 for its share of common area maintenance costs for FY2021 and FY2020, 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.

Minimum future rental payments from non-cancelable leases to be received as of June 25, 2021 are as follows:

Fiscal Year	Total
2022	$ 6,342,272
2023	6,060,183
2024	3,418,597
2025	-
2026	-
	$15,821,052

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 $1,613,207 in FY2021 and $3,668,669 in FY2020 are included in the statements of activities.

In FY2021 and FY2020, certain 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 $3,551,122 and $5,540,068 for FY2021 and FY2020, respectively. In addition, total non-reimbursed expenses included in indirect costs were $4,889,401 and $15,006,950 for FY2021 and FY2020, respectively, and consist of unallowable personnel and administrative-related expenses.

5. Commitments and Contingencies

Draper 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. Certain equipment is also rented on a short-term basis and charged to contracts. Total rent paid (exclusive of certain equipment rentals which are charged directly to contracts) was $3,639,520 and $4,542,050 in FY2021 and FY2020, respectively.

Minimum annual rental commitments under such leases (subject to certain escalation provisions) as of June 25, 2021 are as follows:

Fiscal Year	Building	Equipment	Total
2022	$ 2,240,349	$ 166,555	$ 2,406,904
2023	2,186,941	166,555	2,353,496
2024	1,570,619	166,555	1,737,174
2025	884,289	152,675	1,036,964
2026	498,960	-	498,960
Thereafter	2,494,800	-	2,494,800
	$ 9,875,958	$ 652,340	$10,528,298

Most payments to Draper for work performed on contracts with agencies of the U.S. government are provisional and subject to adjustment based upon final indirect cost rate determination by the Defense Contract Management Agency ("DCMA"). As part of the DCAA FY2016 audit, it questioned costs of $9,501,865 with penalties of $6,491,865 for a maximum exposure of $15,993,730. On July 15, 2021, DCMA and Draper reached a tentative agreement to settle the FY16 questioned costs at $3,499,809, with no applied penalties. This amount is included in facilities, communications, unallowables, and other within operating expenses of the Statement of Activities and in accounts payable and accrued contract cost within the Statements of Financial Position. Audits through FY2020 are complete and rates through FY2015 are finalized and recorded in the financials. Rates from fiscal years 2017 through 2020 will not be finalized until FY2016 has first 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 $1,063,102 and $1,724,591 at the end of FY2021 and FY2020, 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:

	2021	2020
Cash and cash equivalents	$ 66,026,485	$ 32,838,440
Accounts receivable, net of allowances	41,430,854	41,690,516
Unbilled contract costs and fees, net of allowances	100,199,089	91,798,739
Investments redeemable within one year	156,406,449	126,168,733
Total financial assets available within one year	$ 364,062,877	$ 292,496,428

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 (see Note 8).

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. In August 2020, Draper withdrew a BOD-approved withdrawal of $12,000,000 from investments to meet current operations. No further investment withdrawals are planned at this time.

As a member of the defense industrial base, which has been identified as a critical infrastructure sector by the Department of Homeland Security, Draper is accountable to the Nation and must meet its commitments in support of national defense. With the exception of a two-week facility closure in March 2020, Draper has maintained levels of work on sponsored programs in line with that experienced prior to COVID-19.

To mitigate financial risk and preserve liquidity, in DFY2020, Draper made a small but notable reduction in force, furlough of employees, diminution of executive compensation, and increased borrowing capacity under its lines of credit with its existing lending institutions. It has maintained its focus on financial diligence throughout DFY2021 and believes it will meet its obligations as they become due as a result of the initiatives implemented and the cash, debt and investment position Draper is in at this time. However, due to the uncertainty and difficulty in predicting the ultimate duration and severity of the impact of COVID-19 on Draper, the economy, and the financial markets, the ultimate impact of these uncertainties is still unknown and may ultimately be material to its results and financial position.

7. Pension and Other Post-Retirement Benefit Plans

Draper has three defined benefit pension plans: the Retirement Plan for Employees ("RPE"); the Supplemental Retirement Plan for Corporate Officers ("SRPCO"); and the floor component of the Retirement Plan for Draper Employees ("RPDE"). 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 line items in the statements of activities within operating activities as an indirect cost. Other components of pension 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 concerning Draper's benefit plans for the years ending June 25, 2021 and June 26, 2020:

	Pension Benefits		Medical Benefits	
	2021	2020	2021	2020
Benefit obligation at end of year	$ 131,968,325	$ 150,118,855	$ 26,005,230	$ 26,759,818
Fair value of plan assets at end of year	146,519,575	120,778,162	26,070,042	20,718,859
Funded (unfunded) status of the plans	$ 14,551,250	$ (29,340,693)	$ 64,812	$ (6,040,959)
Consolidated balance sheets				
Noncurrent assets	$ 25,105,504	$ 18,556,390	$ -	$ -
Noncurrent liabilities	(10,554,254)	(47,897,083)	64,812	(6,040,959)
Funded (unfunded) status of the plans	$ 14,551,250	$ (29,340,693)	$ 64,812	$ (6,040,959)
	$ (6,448,276)	$ (957,322)	$ (736,783)	$ (978,681)
Net period benefit cost				
Amounts not yet reflected in net periodic benefit cost and included in net assets without donor restrictions:				
Accumulated actuarial loss (gain)	$ (8,496,615)	$ 26,355,663	$ (7,371,512)	$ (1,579,477)
Prior service costs (benefits)	807,611	-	(3,237,214)	4,370,076
Net (gain) loss	$ (7,689,004)	$ 26,355,663	$ (10,608,726)	$ 2,790,599

	RPE	RPDE	SRPCO	Total Pension Benefits	Medical Benefits
At June 25, 2021					
Benefit obligation at end of year	$ 120,150,463	$ 11,416,834	$ 401,028	$ 131,968,325	$ 26,005,230
Fair value of plan assets at end of year	109,997,237	36,522,338	-	146,519,575	26,070,042
Funded (Unfunded) status of the plans	$ (10,153,226)	$ 25,105,504	$ (401,028)	$ 14,551,250	$ 64,812

	RPE	RPDE	SRPCO	Total Pension Benefits	Medical Benefits
At June 26, 2020					
Benefit obligation at end of year	$ 136,449,281	$ 10,792,311	$ 2,877,263	$ 150,118,855	$ 26,759,818
Fair value of plan assets at end of year	91,429,461	29,348,701	-	120,778,162	20,718,859
Funded (Unfunded) status of the plans	$ (45,019,820)	$ 18,556,390	$ (2,877,263)	$ (29,340,693)	$ (6,040,959)

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 25, 2021.

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. As of June 25, 2021 the government is evaluating the proposed settlement.

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. Draper's contributions to the defined contribution plan net of employee forfeitures were $24,264,596 and $23,509,046 for FY2021 and FY2020, respectively.

SRPCO is an unfunded, nonqualified retirement plan for corporate officers. The purpose of the SRPCO is 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. This payment is made as a lump sum once eligible. In accordance with ASC715, Draper recognized a gain of $2,848,395 on curtailment in FY2021 as part of its net periodic benefit cost as a result of a reduction in the number of participants in the plan. Draper did not make any payouts under this plan in FY2021 and FY2020.

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	
	2021	**2020**	**2021**	**2020**
Benefit obligation at beginning of year	$ 150,118,855	$ 138,198,602	$ 26,759,818	$ 23,403,207
Service cost	306,255	413,653	933,106	784,299
Interest cost	3,437,784	4,254,575	644,027	772,939
Plan participants' contributions	-	-	171,859	201,680
Change in assumptions	(18,546,095)	11,122,682	(1,478,130)	2,714,849
Plan amendments	807,611	-	-	-
Benefits paid	(4,156,085)	(3,870,657)	(1,025,450)	(1,117,156)
Benefit obligation at end of year	$ 131,968,325	$ 150,118,855	$ 26,005,230	$ 26,759,818
Accumulated benefit obligation	$ 131,649,643	$ 149,074,872		
Weighted-average assumptions				
Discount rate	2.53%	2.38%	2.65%	2.50%
Rate of compensation increase	3.00%	3.00%	N/A	N/A

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	
	2021	2020	2021	2020
Service cost	$ 306,255	$ 413,653	$ 933,106	$ 784,299
Interest cost	3,437,784	4,254,575	644,027	772,939
Expected return on plan assets	(6,663,995)	(6,201,911)	(1,430,757)	(1,425,325)
Gain on curtailment	(2,848,395)	-	-	-
Amortization of prior service cost	-	-	(883,159)	(883,159)
Amortization of transition obligation	-	105,023	-	-
Amortization of net actuarial loss	(679,925)	471,338	-	(227,435)
Net periodic benefit cost	$ (6,448,276)	$ (957,322)	$ (736,783)	$ (978,681)
Changes in plan assets and benefit obligations recognized in net assets without donor restrictions				
Net loss (gain)	$ (35,526,560)	$ 11,572,764	$ (5,792,035)	$ 3,674,260
Amortizations:				
RPE	(266,892)	(471,338)	-	-
RPDE	1,748,785	-	-	-
SRPCO	-	(105,023)	-	-
RMP	-	-	883,159	1,110,594
Total Amortizations	1,481,893	(576,361)	883,159	1,110,594
Total recognized in net assets without donor restrictions	$ (34,044,667)	$ 10,996,403	$ (4,908,876)	$ 4,784,854
Total recognized in net periodic benefit cost and net assets without donor restrictions	$ (40,492,943)	$ 10,039,081	$ (5,645,659)	$ 3,806,173
Weighted-average assumptions				
Discount rate	2.38%	3.27%	2.50%	3.35%
Expected long-term return on plan assets	6.31%	6.25%	7.00%	7.00%
Rate of compensation increase	3.00%	3.00%	N/A	N/A

Amortization of pension benefit prior service costs, transition obligations, and actuarial gains and losses in FY2022 are expected to be $0, $0, and ($45,412), respectively. Amortization of medical benefit prior service costs and gains and losses in FY2022 are expected to be ($883,159) and $0, respectively.

Assumptions

The discount rate used for the RPE, RPDE, and SRPCO 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 a number of factors, including 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 ($45,412) in FY2022.

Plan Assets

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

	Pension Benefits		Medical Benefits	
	2021	2020	2021	2020
Fair value of plan assets at beginning of year	$ 120,778,162	$ 116,464,990	$ 20,718,859	$ 20,631,375
Actual return on plan assets	26,512,728	5,766,705	5,744,662	465,914
Employer contributions	3,399,000	2,432,000	460,112	537,046
Plan participants' contributions	-	-	171,859	201,680
Benefits paid	(4,210,526)	(3,912,529)	(1,025,450)	(1,117,156)
Fair value adjustments	40,211	26,996	-	-
Fair value of plan assets at end of year	$ 146,519,575	$ 120,778,162	$ 26,070,042	$ 20,718,859

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.

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

	RPE			RPDE			
		Asset Allocation			Asset Allocation		
June 25, 2021	Fair Value	Target	Actual	Fair Value	Target	Actual	**Total Pension**
Equity	$ 62,072,536	56%	56%	$22,764,423	50%	62%	$ 84,836,959
Fixed income	32,155,400	30%	29%	-	-	-	32,155,400
Growth fixed income	7,245,379	7%	7%	-	-	-	7,245,379
Real assets	7,795,919	7%	7%	-	-	-	7,795,919
Insurance contracts	728,003	0%	1%	13,757,915	50%	38%	14,485,918
Cash & cash equivalents	-	-	-	-	-	-	-
	$109,997,237			$36,522,338			$ 146,519,575

	RPE			RPDE			
		Asset Allocation			Asset Allocation		
June 26, 2020	Fair Value	Target	Actual	Fair Value	Target	Actual	**Total Pension**
Equity	$ 50,407,607	56%	55%	$16,013,254	50%	55%	$ 66,420,861
Fixed income	27,589,109	30%	30%	-	-	-	27,589,109
Growth fixed income	6,347,418	7%	7%	-	-	-	6,347,418
Real assets	6,330,137	7%	7%	-	-	-	6,330,137
Insurance contracts	727,864	0%	1%	13,335,447	50%	45%	14,063,311
Cash & cash equivalents	27,326	0%	0%	-	-	-	27,326
	$ 91,429,461			$29,348,701			$ 120,778,162

The following tables present information about the pension plan assets that are measured at fair value on a recurring basis as of June 25, 2021 and June 26, 2020 respectively, and indicate the fair value hierarchy of the valuation techniques Draper utilized to determine such fair value:

Investment securities	June 25, 2021	Level 1 Assets	Level 2 Assets	Level 3 Assets	NAV as Practical Expedient
Cash & cash equivalents	$ -	$ -	$ -	$ -	$ -
Equity	84,836,959	-	-	-	84,836,959
Fixed income	32,155,400	-	-	-	32,155,400
Growth fixed income	7,245,379	-	-	-	7,245,379
Real assets	7,795,919	-	-	-	7,795,919
Insurance contracts	14,485,918	-	-	14,485,918	-
	$ 146,519,575	$ -	$ -	$ 14,485,918	$ 132,033,657

Investment securities	June 26, 2020	Level 1 Assets	Level 2 Assets	Level 3 Assets	NAV as Practical Expedient
Cash & cash equivalents	$ 27,326	$ 27,326	$ -	$ -	$ -
Equity	66,420,861	-	-	-	66,420,861
Fixed income	27,589,109	-	-	-	27,589,109
Growth fixed income	6,347,418	-	-	-	6,347,418
Real assets	6,330,137	-	-	-	6,330,137
Insurance contracts	14,063,311	-	-	14,063,311	-
	$ 120,778,162	$ 27,326	$ -	$ 14,063,311	$ 106,687,525

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.

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	
	2021	**2020**
Balance at beginning of fiscal year	$14,063,311	$13,745,032
Purchases	4,028,119	1,055,184
Total gains	558,173	3,148,625
Benefits paid	(4,163,685)	(3,885,530)
Balance at end of fiscal year	$14,485,918	$14,063,311

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

		Asset Allocation	
June 25, 2021	Fair Value	Target	Actual
Equity	$ 17,321,555	64%	67%
Fixed income	4,551,441	20%	17%
Growth fixed income	1,917,776	8%	7%
Real assets	2,254,270	8%	9%
Cash & cash equivalents	25,000	0%	0%
	$ 26,070,042		

		Asset Allocation	
June 26, 2020	Fair Value	Target	Actual
Equity	$ 13,982,330	67%	68%
Fixed income	4,110,575	20%	20%
Growth fixed income	1,271,654	6%	6%
Real assets	1,329,299	7%	6%
Cash & cash equivalents	25,001	0%	0%
	$ 20,718,859		

Draper used valuation techniques similar to those used for the pension plan assets to determine the fair value hierarchy of the RMP. The fair values of the RMP plan assets in the above table were Level 1 assets of $25,000 and $25,001 as of June 25, 2021 and June 26, 2020, respectively, and NAV as a practical expedient of $26,045,042 and $20,693,858 as of June 25, 2021 and June 26, 2020, respectively.

Contributions and Benefits

Draper anticipates making contributions of $3,851,000 and $627,868 to the RPE and RMP plans respectively in FY2022. There are no expected contributions in FY2022 for the RPDE or SRPCO plans.

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

Fiscal Year	Pension Benefits	Medical Benefits
2022	$16,228,632	$1,255,735
2023	5,316,107	1,217,883
2024	5,779,502	1,257,612
2025	5,688,581	1,293,538
2026	5,857,560	1,313,484
2027-2031	31,755,368	6,908,530

8. Lines of Credit

Draper has a total of $70,000,000 in lines of credit with $45,000,000 at Bank of America (“BoA”), renewed annually, and $25,000,000 at Eastern Bank, secured by investments, and subject to a termination date of April 15, 2023. Draper had no outstanding balances on its lines of credit at June 25, 2021 or June 26, 2020.

9. Notes Payable

On May 11, 2018, Draper entered into a capital equipment financing arrangement with Banc of America Leasing & Capital, LLC with a maximum borrowing limit of $15,000,000. Outstanding notes payable are secured by equipment and are summarized below as of June 25, 2021 and June 26, 2020.

Maturity Date	Interest Rate	2021	2020
May, 2025	4.12%	$ 3,718,188	$ 4,575,354
June, 2025	4.09%	387,978	473,533
November, 2025	4.36%	1,538,312	1,847,431
October, 2026	2.65%	1,589,442	1,863,280
December, 2026	2.96%	3,056,874	3,512,268
		$ 10,290,794	$ 12,271,866

Interest paid on these notes was $400,411 and $404,544 in FY2021 and FY2020, respectively.

Draper borrowed $0 and $5,797,368 in FY2021 and FY2020, 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 following is a summary of Draper's bonds payable at June 25, 2021 and June 26, 2020:

	2021	2020
Outstanding bonds	$ 99,710,000	$102,635,000
Less: deferred financing costs	(722,230)	(769,799)
Total bonds payable	$ 98,987,770	$101,865,201

2015 Bond Series Maturity Date	Interest Rate	Maturity
September, 2021	2.49%	$ 2,990,000
September, 2022	2.69%	3,065,000
September, 2023	2.89%	3,150,000
September, 2024	3.03%	3,240,000
September, 2025	3.14%	3,340,000
Thereafter	3.24% - 3.59%	18,410,000
		$ 34,195,000

2018 Bond Series Maturity Date	Interest Rate	Maturity
September, 2021		$ -
September, 2022		-
September, 2023		-
September, 2024		-
September, 2025		-
Thereafter	4.19% - 4.39%	65,515,000
		$ 65,515,000

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 FY2021 and FY2020, 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:

	2021	2020
Fair value of liability at beginning of year	$6,683,689	$6,488,774
Liabilities settled	(19,676)	(34,788)
Accretion of fair value	236,603	229,703
Fair value of liability at end of year	$6,900,616	$6,683,689

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 rates which ranged from 0.090% to 1.290% applicable to the discount period. Draper's recorded liability was $2,993,124 and $782,643 at June 25, 2021 and June 26, 2020, respectively.

12. 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 FY2021 and FY2020 are summarized in the below table:

June 25, 2021

Natural Classification	Sponsored	Non-Sponsored	Management and General	Total
Subcontracts	$ 213,796,305	$ -	$ -	$ 213,796,305
Salaries and wages	188,310,735	12,295,930	21,044,068	221,650,733
Employee benefits and vacations	89,156,129	5,672,438	5,604,818	100,433,385
Materials, services and rentals	46,810,537	3,708,423	4,958,839	55,477,799
Depreciation and amortization	26,435,438	1,656,414	1,705,259	29,797,111
Other, principally travel and equipment	64,798,880	4,373,531	14,434,024	83,606,435
Total	$ 629,308,024	$ 27,706,736	$ 47,747,008	$ 704,761,768

June 26, 2020

Natural Classification	Sponsored	Non-Sponsored	Management and General	Total
Subcontracts	$ 173,960,712	$ -	$ -	$ 173,960,712
Salaries and wages	196,593,829	9,944,981	31,931,729	238,470,539
Employee benefits and vacations	79,649,554	2,373,551	5,767,681	87,790,786
Materials, services and rentals	89,519,224	2,633,123	5,733,666	97,886,013
Depreciation and amortization	26,625,752	808,133	2,116,693	29,550,578
Other, principally travel and equipment	41,087,054	4,538,217	14,774,114	60,399,385
Total	$ 607,436,125	$ 20,298,005	$ 60,323,883	$ 688,058,013

13. Results of Operations

Total operating revenue is $724,089,887 in FY2021 and $672,215,409 in FY2020. The majority of operating revenue is with the U.S. government and related agencies. Contract change orders are included in the operating revenue total. Pending change orders total $7,103 and $282,567 at June 25, 2021 and June 26, 2020, respectively.

Direct expenses are $527,759,139 and $490,574,730 in FY2021 and FY2020, respectively. Indirect costs in FY2021 and FY2020 are $177,002,629 and $197,483,283, respectively.

14. Subsequent Events

Draper has performed an evaluation of subsequent events through September 23, 2021, which is the date the financial statements were available to be issued. There are no events that occurred after June 25, 2021 that have a material impact on Draper’s financial statements.

The Charles Stark Draper Laboratory, Inc.
Supplemental Schedule of Expenditures of Federal Awards
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	Assistance Listing Number	Direct	Pass-through	Awarding/Pass-Through Entity	Pass-Through Entity Identifying Number	Pimary Awarding Identifying Number	Total	Passed to Sub-Recipients
Research and Development Cluster								
Department of Defense:								
Department of the Air force	12.800	$ 510,210	$ -	AIR FORCE RESEARCH LABORATORY - ROME NY		FA8750-20-C-1523	$ 510,210	$ -
	12.800	3,557,847	-	WRIGHT LABORATORY		fA8650-17-2-5507	3,557,847	3,369,226
	12.RD	-	166,855	ALION SCIENCE & TECH	SUB1139913	FA807517F1310	166,855	-
	12.RD	-	42,124	BAE SYSTEMS	31-5147301	FA8214-13-C-0001	42,124	-
	12.RD	-	92,363	BOOZ ALLEN & HAMILTON	S901193BAH	FA807517F1324	92,363	-
	12.RD	-	164,939	BOOZ ALLEN & HAMILTON	S901791BAH	FA8075-14-D-0016	164,939	-
	12.RD	-	14,340	Dynetics Technical Solutions, Inc.	DI-SC-16-36 TO 97	GS05Q15BMA0022	14,340	-
	12.RD	-	3,237,094	EO VISTA LLC	EOVSUB-1905-102	FA8002-19-F-0115	3,237,094	-
	12.RD	-	12,221	INTERSTATE ELECTRONICS CORP	SW11-00064	FA8807-12-C-0011	12,221	-
	12.RD	-	7,325,649	INTERSTATE ELECTRONICS CORP	SW11-00060	FA8807-19-C-0001	7,325,649	1,448,281
	12.RD	-	2,242,872	INTERSTATE ELECTRONICS CORP	SW11-00092	FA8807-21-C-0005	2,242,872	468,360
	12.RD	-	436,449	KBR	HCS485315	FA8075-14-D-0025	436,449	-
	12.RD	-	333,228	LEIDOS, INC.	P010217503	FA8750-18-C-0134	333,228	-
	12.RD	-	1,363,986	LOCKHEED MARTIN - PALMDALE	6574034710	FA8528-19-D-0015	1,363,986	600,351
	12.RD	-	143,095	Next Century Corporation	NC01772018-FORAGER-CPFF-TO1	FA8650-18-C-6901	143,095	-
	12.RD	-	166,172	Next Century Corporation	PATHFINDER-1001	FA8650-19-C-6897	166,172	-
	12.RD	-	4,835,107	NORTHROP GRUMMAN MISSION SYSTEMS	5300014470	FA8219-20-C-0006	4,835,107	238,092
	12.RD	-	255,447	NORTHROP GRUMMAN MISSION SYSTEMS	5300018168	FA8219- 20-C-0006	255,447	-
	12.RD	-	375,208	NORTHROP GRUMMAN SPACE TECHNOLOGY	7600023795	FA8219-17-C-0002	375,208	-
	12.RD	-	7,810	RAYTHEON BBN TECHNOLOGIES CORP	9500010859	FA8650-11-C-7179	7,810	-
	12.RD	-	1,509,938	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2019-0048	FA8650-19-C-7927	1,509,938	550,000
	12.RD	-	482,677	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2020-0021	FA8002-20-F-0311	482,677	-
	12.RD	2,644,598	-	AIR FORCE RESEARCH LABORATORY		FA8651-19-C-0064	2,644,598	-
	12.RD	25,011	-	AIR FORCE RESEARCH LABORATORY - ROME NY		FA8750-12-C-0261	25,011	25,011
	12.RD	2,604,582	-	Space & Missile Systems Center		FA8807-18-C-0001	2,604,582	1,434,692
	12.RD	14,718	-	USAF/AFMC/AFLCMC		FA8604-18-C-4000	14,718	-
	12.RD	293,235	-	USAF/AFMC/AFLCMC		FA8604-19-C-4004	293,235	-
	12.RD	2,668	-	USAF/AFMC/AFLCMC		FA8620-17-C-3013	2,668	-
	12.RD	4,942,394	-	USAF/AFMC/AFLCMC		FA8684-20-D-4000	4,942,394	-
	12.RD	631	-	WRIGHT LABORATORY		FA8650-15-C-7543	631	30
	12.RD	2,832,120	-	SAF/AQCS		FA8002-20-D-0305	2,832,120	-
	12.RD	90,793	-	SAF/AQCS		FA8002-20-D-0305	90,793	-
Subtotal Department of the Airforce		**17,518,807**	**23,207,574**				**40,726,381**	**8,134,043**
Department of the Army	12.420	1,522,198	-	USA MEDICAL RESEARCH ACQUISITION ACTVTY		W81XWH1910518	1,522,198	228,167
	12.RD	-	153,895	Advanced Technology International (ATI)	2018-868 OTIA 2	W15WKN-18-9-1004	153,895	-
	12.RD	-	3,248,950	Advanced Technology International (ATI)	2018-868 OTIA 3	W15WKN-18-9-1004	3,248,950	1,006,307
	12.RD	-	938,417	Advanced Technology International (ATI)	2019-358	W15QKN-18-9-1008	938,417	-
	12.RD	-	178,838	Advanced Technology International (ATI)	DOTC-17-01-INIT1079	W15QKN-14-9-1001	178,838	3,005
	12.RD	-	7,201,994	Advanced Technology International (ATI)	DOTC-18-01-INIT0138	W15QKN-18-9-1008	7,201,994	2,576,817

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The Charles Stark Draper Laboratory, Inc.
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Research and Development Cluster								
Department of Defense:								
	12.RD	-	268,530	Advanced Technology International (ATI)	DOTC-19-01-INIT0369	W15QKN-18-9-1008	268,530	92,935
	12.RD	-	863,106	Advanced Technology International (ATI)	2018-868	W15WKN-18-9-1004	863,106	-
	12.RD	-	2,513,838	BAE SYSTEMS	1052666	W15QKN-18-9-1008	2,513,838	-
	12.RD	-	1,633	BATTELLE	704487	W911NF-18-F0002	1,633	-
	12.RD	-	70,857	CACI INTERNATIONAL INC	P000089335	W911NF-17-D-0013	70,857	-
	12.RD	-	37,900	CACI INTERNATIONAL INC	P000104710	W911NF-17-D-0013	37,900	-
	12.RD	-	1,267,699	DESE RESEARCH INC	DESE-19-010	W9124P-19-9-0001	1,267,699	-
	12.RD	-	1,881,192	Dynetics Technical Solutions, Inc.	DX-SC-20-05	W9124P-19-09-0001	1,881,192	-
	12.RD	-	3,738,441	Dynetics Technical Solutions, Inc.	DX-SC-20-08	W9124P-19-09-0001	3,738,441	2,950,000
	12.RD	-	1,871,192	GIRD SYSTEMS, INC	55-01-1018CF-40	W15QKN-15-9-1004	1,871,192	-
	12.RD	-	1,023,807	INTEGRATED SOLUTIONS FOR SYSTEMS, INC	107115.9999.9999-0002	W9124P-18-9-0001	1,023,807	-
	12.RD	-	149,912	Radiation Monitoring Devices, Inc.	C21-01	CWD1922-001	149,912	-
	12.RD	-	13,217	RAYTHEON BBN TECHNOLOGIES CORP	4202187768	W909MY19C3000	13,217	-
	12.RD	-	63,089	MAXENTRIC TECHNOLOGIES LLC	NSC-19-9050	W15QKN-15-9-1004	63,089	-
	12.RD	-	103,751	MAXENTRIC TECHNOLOGIES LLC	4520-RCSUS Draper	W15QKN-15-9-1004	103,751	-
	12.RD	-	177,842	SHARED SPECTRUM	2020-04	W15QKN-15-9-1004	177,842	-
	12.RD	71	-	MISSILE COMMAND		W31P4Q-05-C-R201	71	71
	12.RD	830,180	-	NATICK R&D CENTER		W911QY-15-C-0006	830,180	-
	12.RD	14,428	-	Natick Soldier Systems center		W911QY-15-C-0005	14,428	-
	12.RD	1,225,783	-	Natick Soldier Systems center		W911QY-20-C-0078	1,225,783	-
	12.RD	1,072,794	-	Natick Soldier Systems center		W911QY20C0045	1,072,794	-
	12.RD	1,276,120	-	PICATINNY ARSENAL		W15QKN-15-C-0114	1,276,120	-
	12.RD	207,129	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	207,129	-
	12.RD	2,121,625	-	US Army - Aberdeen Proving Ground		W56KGU-17-C-0033	2,121,625	26,162
	12.RD	10,082	-	US ARMY RDECOM ACQ CTR		W911NF-15-D-0006	10,082	-
	12.RD	289,057	-	US ARMY RDECOM ACQ CTR		W911NF-15-D-0006	289,057	-
	12.RD	156,416	-	US ARMY RDECOM CONT CTR - ADELPHI		W911QX-17-C-0027	156,416	-
	12.RD	450,762	-	W6QK ACC-APG NATICK		W911QY18C0210	450,762	-
Subtotal Department of the Army		9,176,645	25,768,100				34,944,745	6,883,464
Department of the Navy	12.300	74,708	-	OFFICE OF NAVAL RESEARCH		N00014-19-1-2213	74,708	-
	12.300	2,698,625	-	OFFICE OF NAVAL RESEARCH		N00014-20-C-1015	2,698,625	264,489
	12.910	-	91,282	UNIVERSITY OF MASSACHUSETTS WORCESTER	WA00861850	N660011924036	91,282	30,771
	12.RD	-	4,125	JOHNS HOPKINS UNIV APPLIED PHYSICS LAB	153943	N00024-13-D-6400	4,125	-
	12.RD	-	880	JOHNS HOPKINS UNIV APPLIED PHYSICS LAB	157588	N00024-13-D-6400	880	-
	12.RD	-	1,218,620	LOCKHEED MARTIN - LITTLETON	4104511408	N00030-19-C-0025	1,218,620	-
	12.RD	-	5,128	LOCKHEED MARTIN - MITCHEL FIELD	4103398278	N00030-18-C-0045	5,128	-
	12.RD	-	1,946,180	LOCKHEED MARTIN - MITCHEL FIELD	4104519606	N00030-20-C-0045	1,946,180	241,553
	12.RD	-	15,575	RAYTHEON - TUSCON	4202383118	HQ0276-15-C-0003	15,575	-
	12.RD	-	2,433	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2020-0017	N65236-20-C-8014	2,433	-

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Research and Development Cluster								
Department of Defense:								
	12.RD	-	471,996	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2020-0061	N6600121C4000	471,996	-
	12.RD	-	621,571	SYSTEMS PLANNING AND ANALYSIS, INC.	SPA-SC-2219-0002	N00030-17-C-0011	621,571	-
	12.RD	-	467,650	AVIAN	20-1057-M802-05	N00178-14-D-7635	467,650	-
	12.RD	-	288,879	THE PENNSYLVANIA STATE UNIVERSITY	S20-13	N00024-18-D-6401	288,879	-
	12.RD	-	268,323	SERCO INC	P000041188_	FA8075-D-0014	268,323	-
	12.RD	772,295	-	NAVAL SURFACE WARFARE CENTER DAHLGREN		N00178-16-D-0001	772,295	-
	12.RD	175,003	-	NAVAL SURFACE WARFARE CENTER DAHLGREN		N00178-16-D-0001	175,003	-
	12.RD	245,240	-	NAVAL UNDERSEA WARFARE CENTER NEWPORT		N66604-10-D-0215	245,240	-
	12.RD	1,857,588	-	NAVAL UNDERSEA WARFARE CENTER NEWPORT		N66604-18-D-C806	1,857,588	20,287
	12.RD	798,276	-	Navy Engineering Logistics Office		N4175619C3531	798,276	-
	12.RD	1,524,760	-	OFFICE OF NAVAL RESEARCH		N00014-18-C-1043	1,524,760	215,177
	12.RD	3,430,604	-	OFFICE OF NAVAL RESEARCH		N00014-19-C-1001	3,430,604	1,643,122
	12.RD	447,532	-	OFFICE OF NAVAL RESEARCH		N00014-19-C-1038	447,532	-
	12.RD	1,166,186	-	OFFICE OF NAVAL RESEARCH		N6833518C0107	1,166,186	-
	12.RD	1,592,469	-	SPAWAR SYSTEMS CENTER SAN DIEGO		N66001-18-C-4503	1,592,469	375,300
	12.RD	171,372	-	SPAWAR SYSTEMS CENTER SAN DIEGO		N6600119C4004	171,372	104,062
	12.RD	5,070	-	SPAWAR SYSTEMS CENTER SAN DIEGO		N66001-16-C-4002	5,070	5,070
	12.RD	71,239	-	STRATEGIC SYSTEMS PROGRAMS		N00030-08-C-0010	71,239	71,239
	12.RD	15,145	-	STRATEGIC SYSTEMS PROGRAMS		N00030-11-C-0005	15,145	15,145
	12.RD	89,447	-	STRATEGIC SYSTEMS PROGRAMS		N00030-13-C-0007	89,447	-
	12.RD	2,184,433	-	STRATEGIC SYSTEMS PROGRAMS		N00030-14-C-0001	2,184,433	398,011
	12.RD	19,850	-	STRATEGIC SYSTEMS PROGRAMS		N00030-14-C-0054	19,850	19,850
	12.RD	3,007,430	-	STRATEGIC SYSTEMS PROGRAMS		N00030-15-C-0003	3,007,430	1,935,245
	12.RD	4,162,771	-	STRATEGIC SYSTEMS PROGRAMS		N00030-16-C-0008	4,162,771	4,162,356
	12.RD	499,721	-	STRATEGIC SYSTEMS PROGRAMS		N00030-16-C-0014	499,721	493,405
	12.RD	21,709,029	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-C-0008	21,709,029	16,722,591
	12.RD	414,056	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	414,056	-
	12.RD	246	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	246	-
	12.RD	2,560,130	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	2,560,130	-
	12.RD	263,258	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	263,258	39,006
	12.RD	225,917	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	225,917	-
	12.RD	2,053,339	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	2,053,339	-
	12.RD	962,969	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	962,969	143,604
	12.RD	1,186,703	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	1,186,703	-
	12.RD	2,260,357	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	2,260,357	-
	12.RD	16,762	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	16,762	-
	12.RD	2,582,363	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	2,582,363	7,147
	12.RD	1,792,867	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	1,792,867	-
	12.RD	472,201	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	472,201	-
	12.RD	96,546	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	96,546	-

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Research and Development Cluster								
Department of Defense:								
	12.RD	1,322,008	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	1,322,008	-
	12.RD	133,577,677	-	STRATEGIC SYSTEMS PROGRAMS		N00030-19-C-0001	133,577,677	20,877,765
	12.RD	23,199,449	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-C-0004	23,199,449	1,910,978
	12.RD	69,929	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-PA-IPAAE	69,929	-
	12.RD	4,108	-	STRATEGIC SYSTEMS PROGRAMS		N00030-04-C-0010	4,108	4,108
	12.RD	272,602	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	272,602	-
	12.RD	397,433	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	397,433	-
	12.RD	568,952	-	STRATEGIC SYSTEMS PROGRAMS		N00030-20-G-0050	568,952	-
	12.RD	50,819	-	STRATEGIC SYSTEMS PROGRAMS		N00030-09-C-0011	50,819	50,819
	12.RD	11,465,516	-	STRATEGIC SYSTEMS PROGRAMS		N00030-21-C-0008	11,465,516	11,458,451
	12.RD	33,365	-	STRATEGIC SYSTEMS PROGRAMS		N00030-21-PA-IPAAE	33,365	-
	12.RD	1,215,339	-	NAVAL INFORMATION WARFARE CENTER PACIFIC		N66001-20-C-4018	1,215,339	112,316
Subtotal Department of the Navy		**233,783,704**	**5,402,642**				**239,186,346**	**61,321,867**
Defense Advanced Research Projects Agency	12.910	1,129,020	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001120C0032	1,129,020	213,332
	12.RD	-	698,380	BAE SYSTEMS	1017349	HR001119C0016	698,380	-
	12.RD	-	176,090	BAE SYSTEMS	1100260	HR001121C0002	176,090	-
	12.RD	-	1,089,934	MRIGlobal	811-111161-2	N66001-21-C-4048	1,089,934	-
	12.RD	-	71,401	FLIR SYSTEMS INC.	PO1310118789	N66001-21-C-4009	71,401	-
	12.RD	-	191,626	Physical Sciences Incorporated	SC 1008612-108069-46	HR001121C0016	191,626	-
	12.RD	371,329	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		140D6319C0008	371,329	-
	12.RD	176,143	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		Dick Urban IPA 0184	176,143	-
	12.RD	408,555	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR0011-16-C-0118	408,555	253,389
	12.RD	415,539	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR0011-18-C-0011	415,539	415,539
	12.RD	1,483,559	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001118C0132	1,483,559	67,713
	12.RD	384,810	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001119C0051	384,810	27,920
	12.RD	44,201	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001120C0016	44,201	44,201
	12.RD	500,616	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR0011-20-C-0116	500,616	-
	12.RD	353,351	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001121C0017	353,351	-
	12.RD	750,359	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001121C0022	750,359	49,633
	12.RD	361,926	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001121C0120	361,926	-
	12.RD	79,740	-	DEFENSE ADVANCE RESEARCH PROJECTS AGENCY		HR001121C0107	79,740	-
Subtotal Defense Advanced Research Projects Agency		**6,459,148**	**2,227,431**				**8,686,579**	**1,071,727**
Missile Defense Agency	12.RD	-	19,532	RAYTHEON - TUSCON	4202444473	HQ0851-21-F-0014	19,532	-
	12.RD	-	15,832	RAYTHEON - TUSCON	4202521013	HQ0851-21-S-0001	15,832	-
	12.RD	3,186,431	-	Missile Defense Agency		HQ0147-17-C-0046	3,186,431	-
	12.RD	444,456	-	Missile Defense Agency		HQ0147-18-C-0009	444,456	-
Subtotal Missile Defense Agency		**3,630,887**	**35,364**				**3,666,251**	**-**

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 25, 2021

	Assistance Listing Number	Direct	Pass-through	Awarding/Pass-Through Entity	Pass-Through Entity Identifying Number	Pimary Awarding Identifying Number	Total	Passed to Sub-Recipients
Research and Development Cluster								
Department of Defense:								
United States Special Operations Command	12.RD	-	65,992	ASSETT, INC.	2017-002	H92222-17-C-0070	65,992	-
	12.RD	-	8,520	CYBRIX GROUP INC	DRAPER-AOI5-POO2	H92405-20-9-P005	8,520	-
	12.RD	598,591	-	HQ USSOCOM SORDAC-K		H9240119C0003	598,591	-
	12.RD	1,121,143	-	HQ USSOCOM SORDAC-K		H9240119C0018	1,121,143	-
	12.RD	481,597	-	HQ USSOCOM SORDAC-K		H9240121C0003	481,597	46,443
	12.RD	550,519	-	STRATEGIC SYSTEMS PROGRAMS		N00030-17-G-0050	550,519	-
	12.RD	343,611	-	W6QK ACC-APG NATICK		W911QY2090011	343,611	150,213
	12.RD	126,749	-	USSOCOM		H92405-21-C-0013	126,749	-
Subtotal United States Special Operations Command		**3,222,210**	**74,512**				**3,296,722**	**196,656**
Other Government DoD	12.RD	-	267,803	Advanced Technology International (ATI)	2018-868	W15WKN-18-9-1004	267,803	-
	12.RD	-	107,764	BAE SYSTEMS	1020442	FA8604-19-C-4001	107,764	-
	12.RD	-	216,616	Ball Aerospace And Technologies Corp.	18JKK00006	18-C-8665	216,616	-
	12.RD	-	1,577	BOOZ ALLEN & HAMILTON	S901639BAH	GS00Q140ADU406	1,577	-
	12.RD	-	1,595,207	LEIDOS, INC.	PO10231673	HDRTA1-14-D-0008	1,595,207	-
	12.RD	-	181,745	Radiation Monitoring Devices, Inc.	C19-24	HDTRA1-19-C-0024	181,745	-
	12.RD	-	423,700	RAYTHEON - TUSCON	4201774192	HQ0276-15-C-0003	423,700	-
	12.RD	-	12,561,082	RAYTHEON - TUSCON	4201808105	HQ0276-15-C-0003	12,561,082	180,727
	12.RD	-	3,120,438	RAYTHEON - TUSCON	4202228415	HQ0276-15-C-0003	3,120,438	2,604,744
	12.RD	-	15,592	RAYTHEON - TUSCON	4202288525	HQ0276-15-C-0003	15,592	-
	12.RD	-	87,082	RAYTHEON - TUSCON	4202357326	HQ0276-15-C-0003	87,082	-
	12.RD	-	14,737	RAYTHEON - TUSCON	4202377660	HQ0276-15-C-0003	14,737	-
	12.RD	128	-	Defense Threat Reduction Agency		HDTRA1-16-C-0007	128	-
	12.RD	1,887,821	-	Defense Threat Reduction Agency		HDTRA1-20-C-0040	1,887,821	-
	12.RD	1,394,921	-	Defense Threat Reduction Agency		HDTRA1-20-C-0059	1,394,921	-
	12.RD	978,587	-	USA MEDICAL RESEARCH ACQUISITION ACTVTY		W81XWH-20-1-0295	978,587	131,498
	12.RD	221,927	-	SPACE DEVELOPMENT AGENCY		HQ0850-21-C-0004	221,927	-
	12.RD	58,149	-	SPACE DEVELOPMENT AGENCY		HQ0850-21-PA-IPALB	58,149	-
	12.RD	-	1,114	n-ask	2017-02	17-R-0238	1,114	-
	12.RD	5,673,890	-	U S GOVERNMENT		17-C-0161	5,673,890	-
	12.RD	13,416,409	-	U S GOVERNMENT		18-C-3113	13,416,409	2,337,044
	12.RD	1,824,352	-	U S GOVERNMENT		19-C-0001	1,824,352	-
	12.RD	1,611,223	-	U S GOVERNMENT		4794	1,611,223	-
	12.RD	-	757,186	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2017-0009	2017-17032200003	757,186	-
Subtotal Other Government DoD		**27,067,407**	**19,351,643**				**46,419,050**	**5,254,013**
Department of Defense		**300,858,808**	**76,067,266**				**376,926,074**	**82,861,770**

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 25, 2021

Research and Development Cluster	Assistance Listing Number	Direct	Pass-through	Awarding/Pass-Through Entity	Pass-Through Entity Identifying Number	Pimary Awarding Identifying Number	Total	Passed to Sub-Recipients
Department of Interior	15.RD	-	1,476,461	LEIDOS, INC.	PO10222918	1400041990005	1,476,461	-
Subtotal Department of Interior		**-**	**1,476,461**				**1,476,461**	**-**
National Air and Space Administration	43.003	43,175	-	NASA Shared Services Center		NNX16AO29G	43,175	-
	43.RD	-	1,371	Analytical Mechanics Associates, Inc.	TEAMS3-CSDL	80LARC17C0003	1,371	-
	43.RD	-	15,486	KBR	SMS0005549	NNJ15HK11B	15,486	-
	43.RD	4,541,817	-	JOHNSON SPACE CENTER		NNJ16HK08B	4,541,817	-
	43.RD	437,094	-	JOHNSON SPACE CENTER		80JSC021DA005	437,094	-
	43.RD	43,022	-	NASA Shared Services Center		80NSSC20K0104	43,022	-
Subtotal National Air and Space Administration		**5,065,108**	**16,857**				**5,081,965**	**-**
National Science Foundation	47.RD	62,685	-	THE NATIONAL SCIENCE FOUNDATION		1804845	62,685	-
Subtotal National Science Foundation		**62,685**	**-**				**62,685**	**-**
Department of Energy	81.RD	-	1,673,225	Lawrence Livermore National Laboratory	B638297	DE-AC52-07NA27344	1,673,225	-
	81.RD	-	1,040,689	Lawrence Livermore National Laboratory	B643550	DE-AC52-07NA27344	1,040,689	-
	81.RD	-	7,453	Radiation Monitoring Devices, Inc.	RMD C19-11	DE-SC0011891	7,453	-
Subtotal Department of Energy		**-**	**2,721,367**				**2,721,367**	**-**
Department of Health and Human Services	93.350	193,571	-	NATIONAL INSTITUTES OF HEALTH		75N95019C00035	193,571	31,776
	93.837	-	4,066	NATIONAL INSTITUTES OF HEALTH	GENFD0001783992	1R21HL145636-01	4,066	-
	93.RD	-	289,641	UNIVERSITY OF ILLINOIS AT CHICAGO	UIC NIH Subaward 17610-00	1R01 CA240301-01	289,641	-
	93.RD	-	2,964	VOX BIOMEDICAL LLC	Vox SBIR Subcontract	6R42DA049655-02	2,964	-
	93.RD	766,413	-	US FOOD AND DRUG ADMINISTRATION		FDA 75F40119C10122	766,413	-
Subtotal Department of Health and Human Services		**959,984**	**296,671**				**1,256,655**	**31,776**
Department of Homeland Security	97.RD	14,215	-	DEPARTMENT OF HOMELAND SECURITY		HSHQDC-15-C-B0047	14,215	-
	97.RD	34,396		DEPARTMENT OF HOMELAND SECURITY		70RSAT20C00000057	34,396	-
Subtotal Department of Homeland Security		**48,611**	**-**				**48,611**	**-**
Other Contracts	99.RD	-	894,792	Confidential Industrial Partner	Confidential	Undisclosed	894,792	-
	99.RD	-	3,102,656	Confidential Industrial Partner	Confidential-01	Undisclosed	3,102,656	-
	99.RD	-	1,069,331	LEIDOS, INC.	P010232588	Undisclosed	1,069,331	-
	99.RD	165,631	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B14-2014200G001	165,631	-
	99.RD	820,681	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B14-2014220G002	820,681	-
	99.RD	733,722	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B16-2016228G005	733,722	-
	99.RD	700,481	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B16-2016228G005	700,481	-
	99.RD	2,123,868	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	2,123,868	-

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 25, 2021

	Assistance Listing Number	Direct	Pass-through	Awarding/Pass-Through Entity	Pass-Through Entity Identifying Number	Pimary Awarding Identifying Number	Total	Passed to Sub-Recipients
Research and Development Cluster								
	99.RD	271,191	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	271,191	-
	99.RD	384,776	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	384,776	-
	99.RD	511,820	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	511,820	-
	99.RD	265,847	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	265,847	-
	99.RD	38,063	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	38,063	-
	99.RD	587,331	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	587,331	-
	99.RD	12,764	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	12,764	-
	99.RD	107,188	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	107,188	-
	99.RD	166,239	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	166,239	-
	99.RD	6,918,720	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	6,918,720	-
	99.RD	6,485	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	6,485	-
	99.RD	595,656	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	595,656	-
	99.RD	689,075	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B17-2016363G002	689,075	-
	99.RD	235,964	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018075G003	235,964	-
	99.RD	27,922	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	27,922	-
	99.RD	518,105	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	518,105	-
	99.RD	69,338	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	69,338	-
	99.RD	364,559	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	364,559	-
	99.RD	934,249	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	934,249	-
	99.RD	284,043	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	284,043	-
	99.RD	3,728,685	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	3,728,685	-
	99.RD	642,827	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B18-2018202G001	642,827	-
	99.RD	1,147,516	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B19-2019226G004	1,147,516	-
	99.RD	2,160,770	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020184G002	2,160,770	138,758
	99.RD	667,546	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	667,546	-
	99.RD	1,091,883	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	1,091,883	-
	99.RD	321,846	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020162G401	321,846	-
	99.RD	774,134	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020238G401	774,134	-
	99.RD	631,830	-	BUDGET & FINANCE SYSTEMS ACTIVITY (BFSA)		B20-2020238G401	631,830	-
	99.RD	13,363	-	U S GOVERNMENT		12-C-8463	13,363	13,363
	99.RD	2,098,314	-	UUV AA SPONSOR		17-C-5047	2,098,314	-
	99.RD	-	58,987	SYSTEMS & TECHNOLOGY RESEARCH, LLC	2019-0052	Undisclosed	58,987	-
	99.RD	1,187,512	-	UUV AA SPONSOR		21-G-5028	1,187,512	-
Subtotal Other Contracts		**31,999,944**	**5,125,766**				**37,125,710**	**152,121**
Total Non Department of Defense		**38,136,332**	**9,637,122**				**47,773,454**	**183,897**
Total Research and Development Cluster		**338,995,140**	**85,704,388**				**424,699,528**	**83,045,667**
Total Federal Awards		**$ 338,995,140**	**$ 85,704,388**				**$ 424,699,528**	**$ 83,045,667**

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

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 25, 2021, 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 September 2, 2020 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. 1361-2021T10110001 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 25, 2021 (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 25, 2021, and the related statements of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2021.

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 the 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 may exist that have not been identified.

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*.

PricewaterhouseCoopers LLP, 101 Seaport Boulevard, Boston, MA 02210
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Purpose of this Report

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

PricewaterhouseCoopers LLP

September 23, 2021

Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited The Charles Stark Draper Laboratory, Inc. ("Draper") compliance with the types of compliance requirements described 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 25, 2021. 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 connection with the coordinated audit of Draper 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 are included in the Uniform Guidance 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

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Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Draper's major 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*, 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.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Draper's compliance.

Opinion on Each Major Federal Program

In our opinion, Draper complied, in all material respects, with the types of 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 25, 2021.

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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

March 25, 2022

CUI

ATTENTION

Controlled by: New England Branch Office
CUI Categories: PROPIN
POC: Jaclyn Parziale (Jaclyn.Parziale@dcaa.mil)

ATTENTION

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CUI

DEFENSE CONTRACT AUDIT AGENCY

Audit Report No. 1361-2021T10110001

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

March 18, 2022

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 25, 2021

Controlled by: New England Branch Office
CUI Categories: PROPIN
POC: Jaclyn Parziale (Jaclyn.Parziale@dcaa.mil)

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Audit Report No. 1361-2021T10110001 **March 18, 2022**

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 25, 2021 were $424.7 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 2021 final indirect rate proposal, submitted on November 24, 2021. 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 (see Appendix 4, Page 18).

WHAT WE FOUND

We found an instance of noncompliance with Compliance Requirement B (Allowable Costs and Cost Principles). Our audit disclosed $3,652,345 of unreasonable depreciation costs that do not meet the requirements of FAR 31.201-3(a).

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM.

We have audited Draper's compliance with two of the compliance requirements described in the 2021 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 25, 2021. 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 $47,773,454 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 4, Page 18, 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 2021 final indirect rate proposal, submitted November 24, 2021, 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 25, 2021. However, the results of our auditing procedures disclosed an instance of noncompliance, required to be reported in accordance with 2 CFR 200.516, which is described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001. Our opinion on the research and development cluster is not modified with respect to these matters.

Draper's response to the noncompliance finding identified in our audit is included in the accompanying Corrective Action Plan for the Current Year, Appendix 3, page 17. Draper's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on its response.

Appendix 4, Page 18, 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 15.

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.

<u>AUDITOR'S COMMENTS ON SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</u>

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 16. Our audit disclosed that Draper adequately presented the status of its corrective action taken regarding our prior audit findings. The following is a summary of the prior audit findings that are still considered open:

Audit Year	Audit Finding Reference	Description of Audit Finding
FY 2019	2019-001	Executive Compensation – Unreasonable Compensation
FY 2019	2019-002	Labor Charging Practice – Vice President of a Draper Program Office
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 - Unreasonable
FY 2020	2020-005	Public Relation Costs

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 11, 2022. Draper did not agree with our audit finding. The complete text of Draper's response appears as Appendix 3, Page 17.

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.H.1251887671 Digitally signed by PARZIALE.JACLYN.H.1251887671 Date: 2022.03.18 12:59:47 -04'00'

Jaclyn Parziale
Co-Branch Manager
DCAA New England Branch Office

AUDIT REPORT DISTRIBUTION

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Restrictions

1. The Controlled Unclassified Information (CUI) marking placed on this audit report is not a security marking. It is a marking required by DoD Freedom of Information Act (FOIA) regulations. The marking provides notice that the report might contain information that is subject to withholding under the FOIA. The CUI marking is a notice limited to Department of Defense employees. The contents of this audit report should not be released or disclosed, other than to those persons whose official duties require access in accordance with Department of Defense (DoD) Manual 5200.01, Volume 4 - DoD Information Security Program, February 2012, Enclosure 3, paragraph 2.d. This document 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 those elements of the data that are proprietary. You should make proprietary determinations in the event of an external request for access. Unauthorized disclosure of proprietary information violates Title 18 United States Code (U.S.C.) 93 §1905 and, if the information is contractor bid or proposal or source selection information, Title 41 U.S.C. 21 § 2102. Any person who unlawfully discloses such information is 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 5 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

Indirect Category	Government Flexibly Priced Government Awards	FFP Federal Awards and Commercial Work	Total
General Research Overhead	80.3%	19.7%	100.0%
Plant Overhead	80.4%	19.6%	100.0%
Employee Benefits	80.4%	19.6%	100.0%

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Charles Stark Draper Laboratory, Inc.
Fiscal Year Ended June 25, 2021

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	X
No	

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 25, 2021

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:

SUMMARY OF FINDINGS RELATED TO FEDERAL AWARDS

Finding Number	Major Federal Program	CFDA No.	Compliance Requirement	Finding
2021-001	R&D Cluster	12.R&D	B	Depreciation – Atrium Costs

A. INDIRECT EXPENSES

2021-001. Depreciation of Atrium Construction Costs - Unreasonable

a. Condition:

This finding is a continuation of audit finding 2020-001 from the Draper FY 2020 Uniform Guidance audit, which questioned the reasonableness of constructing an Atrium to the front of Draper's Duffy Building. Draper is currently preparing a presentation for its DCMA Administrative Contracting Officer (ACO) for the purpose of trying to demonstrate the reasonableness of this project. Since that presentation will not be available to us until after the issuance of this audit report, we will continue to question the depreciation costs associated with this project, which represents $3,652,345 for FY 2021.

For a complete understanding of this audit issue, we recommend that you review audit finding 2020-001 from the FY 2020 Uniform Guidance audit report. However, as a quick overview, in September of 2017, Draper completed construction of a $54,785,170 six story open space atrium as an addition to its Duffy Building. This atrium serves as the new entrance to Draper's main building and it contains a lobby, building security areas, information technology (service desk), meeting areas, a food court and a presentation area. The atrium also results in the addition of 493,000 square feet to the contractor's facility with the vast majority being comprised of open space. Although the building of this atrium provides additional square footage to Draper's facilities, we found that Draper is utilizing only a 15-year period to depreciate construction costs starting with FY 2018. For the first two years of this period, FY 2018 and FY 2019, Draper decided to not request nor claim any depreciation costs from the Federal Government. Draper's forward pricing rate submission, dated May 20, 2019, also excluded these depreciation costs from forecasted expenses for FY 2020 through FY 2023.

Although Draper informed us that its presentation to its DCMA ACO would not be available to us in time for the issuance of this audit report, we requested Draper to provide us with additional information that was not made available to us in the previous audit relating to supporting the reasonableness of this project. Draper did supply us with additional information; however, we determined that it was still not sufficient to demonstrate the reasonableness of the Atrium project nor support Draper's use of a 15-year life to depreciate the Atrium's construction costs. Draper's Capitalization and Depreciation of Property Plant and Equipment policies and procedures specifically states that building improvements should be depreciated over a period of 39 years. No explanation has been provided by Draper as to how they arrived at an accelerated depreciation period for the Atrium costs.

This audit finding also results in a noncompliance with compliance requirement B (Allowable Cost/Cost Principles) of 2 CFR Part 200, Appendix XI, Compliance Supplement.

The questioned costs represent indirect costs, which pertain to all Federal contracts under Draper's R&D program. We do not consider the questioned depreciation costs subject to penalties in accordance with FAR 42.709.

b. Criteria:

Per FAR 31.201-3, Determining reasonableness,

(a) A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. Reasonableness of specific costs must be examined with particular care in connection with firms or their separate divisions that may not be subject to effective competitive restraints. No presumption of reasonableness shall be attached to the incurrence of costs by a contractor. If an initial review of the facts results in a challenge of a specific cost by the contracting officer or the contracting officer's representative, the burden of proof shall be upon the contractor to establish that such cost is reasonable.

(b) What is reasonable depends upon a variety of considerations and circumstances, including-

(1) Whether it is the type of cost generally recognized as ordinary and necessary for the conduct of the contractor's business or the contract performance;
(2) Generally accepted sound business practices, arm's-length bargaining, and Federal and State laws and regulations;
(3) The contractor's responsibilities to the Government, other customers, the owners of the business, employees, and the public at large; and
(4) Any significant deviations from the contractor's established practices.

c. Recommendation:

We would like to be included in the meeting that Draper plans to have with its DCMA ACO regarding the presentation of why the construction of this Atrium is reasonable. Hopefully this presentation will provide additional information that will demonstrate that the proposed depreciation and overall construction costs and the atrium project itself are reasonable and allowable in accordance with the requirements of FAR 31.201-3, Determining Reasonableness. In addition, this presentation should also address why Draper did not follow its policies and procedures for determining the useful life of capital assets.

d. Draper's Reaction:

Draper's reaction follows verbatim.

Draper does not concur with DCAA's finding that the atrium depreciation expense is unreasonable and reserves the right to negotiate this issue with the ACO. As requested, Draper will provide a reasonableness presentation to the Government in support of negotiations and will ensure that DCAA is in attendance.

Issue Coordinator: *Jamie Pereira, Director, Government Accounting & Compliance*

Est. Completion Date: *Pending DCMA Resolution*

e. Auditor's Response:

We look forward to reviewing any additional information that Draper provides during the presentation to Draper's DCMA Administrative Contracting Officer.

APPENDIX 1

FY 2021 CERTIFICATE OF INDIRECT COSTS

1 Page

The Charles Stark Draper Laboratory
555 Technology Square
Cambridge, MA 02139

Certificate of Final Indirect Costs
Fiscal Year Ended 06/25/2021

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 2021 Incurred Cost Submission to establish final indirect cost rates for June 27, 2020 through June 25, 2021 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 23, 2021

APPENDIX 2

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

7 Pages

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Cambridge, MA 02139-3563

Status of Prior Audit Findings **March 1, 2022**

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

DCAA

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

Finding 2020-001 – Depreciation of Atrium Construction Costs – Unreasonable ($3,668,301)

Finding:
DCAA determined that $3,668,301 of depreciation expenses related to the atrium constructed at Draper's Cambridge Massachusetts facility were unreasonable per FAR 31.201-3(a). DCAA concluded that Draper did not provide enough support to demonstrate that total construction costs of $54,785,170 and associated depreciation were reasonable in total, in part, or at all. DCAA determined that the 15 year useful life depreciation period was not in accordance with Draper's established policies and procedures..

Recommendation:
DCAA recommends that Draper provide support that demonstrates that the proposed depreciation and overall construction costs and the atrium project itself are reasonable and allowable in accordance with the requirements of FAR 31.201-3. DCAA also recommends Draper provide its analysis and support for not depreciating the building addition consistent with its policies and procedures for determining the useful life of capital assets.

Response/Action:
Draper's DFY 2020 final indirect rate proposal has not yet been settled. It is Draper's position that the claimed atrium depreciation costs were appropriately classified, were allowable, and were reasonable per federal regulations.

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Resolution of the DFY20 questioned costs are pending DCMA negotiation

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Finding 2020-002 – Outside Counsel Costs – Management Decisions ($715,586)

Finding:
DCAA concluded that $715,586 of claimed outside counsel costs did not meet the requirements of FAR 31.201-2(d) and FAR 31.205-33(f) because Draper did not provide adequate and un-redacted supporting documentation to determine the impact of the legal firm's conclusions. Per DCAA, without a detailed agreement concerning the engagement with outside counsel, access to an un-redacted invoice, and details behind the legal firm's conclusions, DCAA was unable to determine risk and severity of concerns identified by the outside counsel on Federal Government contracts.

Recommendation:
DCAA recommends that Draper allow DCAA to review an un-redacted version of the legal firm's invoice and provide DCAA with more details regarding the legal firm's conclusions. This will enable DCAA to determine if there is any impact on Draper's Federal contracts.

Response/Action:
Draper's DFY 2020 final indirect rate proposal has not yet been settled. It is Draper's position that the claimed outside counsel costs were appropriately classified, were allowable, and were reasonable per federal regulation.

Issue Coordinator:	Jamie Pereira, Director, Government Accounting & Compliance
Completion Date:	Resolution of the DFY20 questioned costs are pending DCMA negotiation

Finding 2020-003 – Outside Counsel Costs – Draper Ethics Hotline ($26,497)

Finding:
DCAA determined that $26,497 of outside counsel costs related to the Draper Ethics Hotline did not meet the requirements of FAR 31.201-2(d) an FAR 31.205-33(f) because Draper did not provide adequate and un-redacted, supporting documentation. DCAA concluded that in order for the Draper Ethics Hotline to be allowable, Draper needed to provide additional support including, an un-redacted invoice, statement of work, and final work product.

Recommendation:
DCAA recommends that Draper only claim outside counsel costs that are fully supported by adequate documentation which demonstrates that costs have been incurred, are allocable to the contract, and comply with applicable cost principles.

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Response/Action:
Draper's DFY 2020 final indirect rate proposal has not yet been settled. It is Draper's position that the claimed Draper Ethics Hotline costs were appropriately classified, were allowable, and were reasonable per federal regulations.

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Resolution of the DFY20 questioned costs are pending DCMA negotiation

Finding 2020-004 – Executive Compensation ($337,500)

Finding:
DCAA questioned $337,500 of compensation costs that exceed the limitations set forth in FAR 31.205-(6)(p). The costs resulted from personal legal counsel obtained by a Draper executive that Draper elected to pay, resulting in additional compensation to the employee. The entire amount of the legal counsel costs, in combination with other compensation, was in excess of the limits set forth in FAR 31.205-(6)(p), thus DCAA questioned the entire amount. Additionally, Draper did not provide support required by FAR 31.205-33(f) including details of the agreement, invoices from the legal firm with sufficient detail, and any work related documents.

Recommendation:
DCAA recommends that Draper perform a more thorough analysis of its claimed compensation costs such that only allowable compensation is claimed. Terms of separation agreements should be made available to individuals responsible for screening unallowable costs and preparing Draper's annual submission. Furthermore, because Draper's submission identified these costs as legal expenses, we recommend that Draper undertake actions to ensure it has all the support required by FAR before being claimed in future submissions.

Response/Action:
Draper's DFY 2020 final indirect rate proposal has not yet been settled. It is Draper's position that the claimed legal expenses were appropriately classified, were allowable, and were reasonable per federal regulations.

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Resolution of the DFY20 questioned costs are pending DCMA
negotiation

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Finding 2020-005 – Public Relations Costs ($224,413)

Finding:
DCAA concluded that $224,413 of costs relating to a lunar lander simulator and associated walkthrough displays that help demonstrate Draper's lunar landing capability were unallowable because they represent costs relating to corporate image enhancement and public relations costs that are expressly unallowable per FAR 31.205-1(f).

Recommendation:
DCAA recommends that Draper perform a more thorough analysis of its claimed overhead costs including the intent of costs incurred and the allowability of costs in accordance with the requirements of FAR. Draper should also take actions to ensure that unallowable public relation costs are not claimed in future incurred cost submissions.

Response/Action:
Draper's DFY 2020 final indirect rate proposal has not yet been settled. It is Draper's position that the claimed lunar lander and exhibit costs were appropriately classified, were allowable, and were reasonable per federal regulations.

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Resolution of the DFY20 questioned costs are pending DCMA negotiation

Findings from DCAA Audit Report Number 1151-2019T10110001 dated March 23, 2020

Finding 2019-001 – Unreasonable Compensation ($117,440)

Finding:
DCAA concluded that $117,440 of compensation related to three of Draper's top sixteen highest paid employees was unreasonable in accordance with FAR 31.205-6(b)(2). This amount was comprised of the compensation for two individuals determined to have unreasonable compensation during the FY2018 Uniform Guidance audit as well as an additional employee that exceeded the amount of compensation previously found to be reasonable for their position. The questioned costs represented indirect costs, which pertain to all Federal contracts under Draper's R&D program. This noncompliance with FAR also results in a noncompliance with Compliance Requirement B (Allowable Cost/Cost Principles) of 2 CFR 200 Appendix XI, Compliance Supplement.

Recommendation:
DCAA recommends that Draper reevaluate its process for assessing reasonableness of its executive salaries in order to ensure that only reasonable executive salary costs are allocated to Federal government contracts.

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Cambridge, MA 02139-3563

Response/Action:
Draper's DFY 2019 final indirect rate proposal has not yet been settled. It is Draper's position that claimed Executive Compensation costs were appropriately classified, were allowable, and were reasonable per federal regulations.

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Resolution of the DFY 2019 questioned costs are pending DCMA negotiation.

Finding 2019-002 – Labor Charging Practice – Vice President of a Draper Program Office ($860,073)

Finding:
DCAA concluded that Draper's labor charging practice for a Vice President (VP) of a program office was noncompliant with the requirements of FAR 31.202 (Direct costs), CAS 402 (Consistency in Allocating Costs Incurred for the Same Purpose), Draper's CAS Disclosure Statement, and Draper's Time Reporting Handbook. DCAA identified Draper charged 100% of a VP's labor costs, excluding paid time off, to three Federal government contracts under this VP's oversight during FY2019. Draper conversely allocated 100% of the three other VP's time indirectly despite the positions having similar responsibilities and functions. The Practice of allocating costs differently, even though they are incurred for the same purpose, in like circumstances, is not in cpliance with the requirement of FAR 31.202, Direct cost, and CAS 402, Consistency in Allocating Costs Incurred for the Same Purpose.

Recommendation:
DCAA recommends that Draper establish consistent practices for charging labor costs associated with the VPs of its Program Offices. Establishing consistency will ensure compliance with the requirement of FAR 31.202 (Direct Costs), CAS 402 (Consistency in Allocating Costs Incurred for the Same Purpose), Draper's CAS Disclosure Statement, Draper's Time Reporting Handbook, and the functions of program office VPs as described in their job descriptions.

Response/Action:

Draper's DFY 2019 final indirect rate proposal has not yet been settled. It is Draper's position that claimed direct labor charges were appropriately classified, were consistent with the requirements of FAR/CAS, were allowable, and were reasonable per federal regulations. Although Draper does not agree with the Government's position that these charges were unallowable, Draper has voluntarily chosen to transfer the VP's charges in question to indirect projects within its DFY 2020 certified final indirect rate proposal.

Draper has held and will continue to provide training on timekeeping requirements for all employees. Draper will re-evaluate its current practices, and will notify the government if and when any changes are implemented.

DRAPER
555 Technology Square
Cambridge, MA 02139-3563

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Resolution of the DFY 2019 questioned costs are pending DCMA negotiation.

Findings from DCAA Audit Report Number 1151-2018C10110001 dated March 25, 2019

Finding 2018-001 – Independent Research & Development (IR&D) Projects ($7,384)

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Draper considers this finding closed with the settlement of the DFY18 indirect rates on February 24, 2022

Finding 2018-002 – Executive Compensation – Severance Costs ($118,487)

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Draper considers this finding closed with the settlement of the DFY18 indirect rates on February 24, 2022

Finding 2018-003 – Executive Compensation - Unreasonable Compensation ($309,646)

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Draper considers this finding closed with the settlement of the DFY18 indirect rates on February 24, 2022

Findings from DCAA Audit Report Number 1151-2017T10110001 (Revised) dated March 20, 2018

Finding 2017-001- Inadequate Support ($100,222)

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Draper considers this finding closed with the settlement of the DFY17 indirect rates on December 13, 2021

Finding 2017-002- Independent Research & Development (IR&D) Projects ($190,725)

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance

Completion Date: Draper considers this finding closed with the settlement of the DFY17 indirect rates on December 13, 2021

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Cambridge, MA 02139-3563

Findings from DCAA Audit Report Number 1151-2016T10110001 (Revised) dated March 29, 2017)

Finding 2016-001- Opportunity Investment Projects (OPPTY) $5,573,042

Issue Coordinator:	Jamie Pereira, Director, Government Accounting & Compliance
Completion Date:	Draper considers this finding closed with the settlement of the DFY16 indirect rates on November 18, 2021

Finding 2016-002- Independent Research & Development (IR&D) projects $3,133,858

Issue Coordinator:	Jamie Pereira, Director, Government Accounting & Compliance
Completion Date:	Draper considers this finding closed with the settlement of the DFY16 indirect rates on November 18, 2021

Finding 2016-003- Sembler Program $794,965

Issue Coordinator:	Jamie Pereira, Director, Government Accounting & Compliance
Completion Date:	Draper considers this finding closed with the settlement of the DFY16 indirect rates on November 18, 2021

Firm: The Charles Stark Draper Laboratory, Inc.

By: ______________________
Christine Albertelli

Title: Chief Financial Officer & Treasurer

Date: March 1, 2022

APPENDIX 3

DRAPER LABORATORY'S RESPONSE TO CURRENT AUDIT FINDINGS

1 Page

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555 Technology Square
Cambridge, MA 02139-3563

16 March 2022

Mr. Peter Meade, Supervisory Auditor
Defense Contract Audit Agency, New England Branch Office
59 Lowes Way, Suite 300
Lowell, MA 01851

Subject: Response to Audit Report No. 1361-2021T10110001

Reference Draft Audit Report No. 1361-2021T10110001, 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 25, 2021

Dear Mr. Meade:

By email dated March 11, 2022, the Defense Contract Audit Agency ("DCAA") provided The Charles Stark Draper Laboratory, Inc. ("Draper") the above-referenced Draft Audit Report for comment. Draper appreciates the opportunity to respond to the Draft Audit Report. Our response to the DCAA recommended finding follows:

2021-001. Depreciation of Atrium Construction Costs – Unreasonable

DCAA has questioned the entirety of Draper's $3,668,301 expense for depreciation of the Atrium in Draper's headquarters at the Duffy Building in Cambridge, Massachusetts. DCAA asserts that the depreciation expense is unallowable, because the cost of the Atrium is unreasonable under FAR 31.201-3(a). DCAA would like to be included in the meeting that Draper plans to have with its DCMA ACO regarding the presentation of why the construction of this Atrium is reasonable.

Draper's Reaction:

Draper does not concur with DCAA's finding that the atrium depreciation expense is unreasonable and reserves the right to negotiate this issue with the ACO. As requested, Draper will provide a reasonableness presentation to the Government in support of negotiations and will ensure that DCAA is in attendance.

Issue Coordinator: Jamie Pereira, Director, Government Accounting & Compliance
Est. Completion Date: Pending DCMA Resolution

Please feel free to contact me with any questions.

Sincerely,

Jamie T. Pereira

Jamie Pereira
Director, Government Accounting & Compliance

APPENDIX 4

CLAIMED EXPENDITURES AND FEE BY FEDERAL SPONSOR

1 Page

SUMMARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS BY AUDIT RESPONSIBILITY

Charles Stark Draper Laboratory, Inc.
Fiscal Year Ended June 25, 2021

Major Program - R&D Cluster	Federal CFDA/CSFA Numbers	Expenditures Direct	Pass-through	Total
Department of Defense Federal Awards:				
Audited by DCAA				
Department of the Air Force	12	$ 17,518,807	$ 23,207,574	$ 40,726,381
Department of the Army	12	9,176,645	25,768,100	$ 34,944,745
Department of the Navy	12	233,783,704	5,402,642	$ 239,186,346
Defense Advanced Research Program Agency	12	6,459,148	2,227,431	$ 8,686,579
Missile Defense Agency	12	3,630,887	35,364	$ 3,666,251
Special Operations Command (SOCOM)	12	3,222,210	74,512	$ 3,296,722
Intelligence Advanced Research Projects Activity	12	-	757,186	$ 757,186
Other Government (DoD)	12	4,541,533	18,593,343	$ 23,134,876
Miscellaneous (DoD)	12	22,525,874	1,114	$ 22,526,988
Total Department of Defense Audited by DCAA		$ 300,858,808	$ 76,067,266	$ 376,926,074
Non DoD Federal Awards				
Audited by PwC				
Department of the Interior	15	$ -	$ 1,476,461	$ 1,476,461
National Air and Space Administration	43	5,065,108	16,857	5,081,965
National Science Foundation	47	62,685	-	62,685
Department of Energy	81	-	2,721,367	2,721,367
Department of Health and Human Services:				
National Institutes of Health	93	959,984	296,671	1,256,655
Department of Homeland Security	97	48,611	-	48,611
Miscellaneous (Non DoD)	99	31,999,944	5,125,766	37,125,710
Total Non DoD Federal Awards Audited by PwC		$ 38,136,332	$ 9,637,122	$ 47,773,454
Total Federal Awards		$ 338,995,140	$ 85,704,388	$ 424,699,528

The above schedule represents the costs and fee claimed by Draper on Federal awards during FY 2021. 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.

The Charles Stark Draper Laboratory, Inc. REPORT 4
Schedule of Findings and Questioned Costs
June 25, 2021

I. Summary of PwC's Results[1]

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 Awards[1]		
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 Number	**Name of Federal Program or Cluster**
Various	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.

II. Financial Statement Findings

None noted.

III. Federal Award Findings and Questioned Costs

PwC

None noted.

DCAA

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

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).