



DRAPER[®]

2024

ANNUAL REPORT

NXT IS NOW

At Draper, innovation is our guiding star, and our destination is the future.

As the nation's engine for innovation, we have embarked on a 10-year journey of unlimited possibilities. A journey we call Draper NXT.

Draper NXT will transform our innovation factory to make an even greater impact on national security. We are renewing our commitment to anticipate the NXT mission, reaching the NXT frontier, and inspiring the NXT generation of scientists and engineers.

Together with our customers and partners, we are boldly making major forays into the future – engineering solutions for what's next.

Unlimited possibilities. Draper NXT.



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LETTER FROM CHAIRMAN OF THE BOARD

When I was entrusted with the privilege of chairing Draper's Board of Directors in 2018, I made a commitment to ensure the legacy of our founding father, Charles Stark "Doc" Draper, and built upon his vision while expanding on the leadership of my board of directors predecessors.

Over the past six years - and during my three years as a member of the board before that - I've had the distinct honor of serving Draper's employees, leaders, customers, and our nation.

I've seen Draper overcome daunting challenges to grow in size, stature, and impact - adding more than 2,000 employees and expanding to 12 campuses across the United States. During this time, Draper has either established or expanded our Strategic, Electronic, Space, and Biotechnology Systems businesses, advanced our education mission, and provided ongoing support to our veterans and communities. Our mission outcomes have been further refined alongside increased investments in cutting-edge research and development.

Across these sweeping changes, one constant has always remained: Draper's commitment to delivering for our customers who, in turn, are focused on providing for the national security of our nation and our allies.

As this annual report shows, fiscal year 2024 marked more than the continuation of this remarkable legacy. With the launch of Draper NXT - our 10-year journey to create mission impact and be the premier national security nonprofit company - we have enhanced opportunities for Draper's workforce, our customers, and our nation.

It has been my privilege to know - and to learn from - the men and women of Draper. I am deeply grateful for my time in service to our innovation factory and will be honored to pass the baton to the next chair in October.

As we look to the future, Draper NXT sets an ambitious course for the organization. I have every confidence that our leaders and employees will achieve the vision, and that our nation and the world will be better as a result.



David R. Shedd

CHAIRMAN OF THE BOARD



Jerry M. Wohletz, Ph.D

*PRESIDENT AND
CHIEF EXECUTIVE OFFICER*

LETTER FROM DRAPER PRESIDENT & CEO

As Draper celebrates another outstanding year of service to our customers, employees, and communities, we also mark the second year of our historic transformation under Draper NXT - modernizing our innovation factory and dramatically scaling our mission impact.

As you will see in this publication, we have made significant strides in our mission focus for our customers leading to significant impact. To put this into financial terms, we have nearly doubled our investments, grown revenue by 30 percent, and achieved an average operating income that is 120 percent higher than our prior two-year average. Additionally, our sell price increased 3.3 percent over the past two years while our competitors experienced significant inflation.

As always, the credit goes to our extraordinary employees. Their expertise, imagination, and commitment to our customers' missions make Draper what it is. Individually and collectively, our staff members embraced the Draper NXT vision and strategy, and retention improved to 94 percent even as our workforce grew by 25 percent over the past two years.

At the same time, our employees led significant impacts for our communities. Together, we contributed \$20,000 to Toys for Tots and \$25,000 to the Red Sox Run to Home Base program. We also welcomed 150 children across five campuses on Bring Your Children to Work Day.

This year also saw significant growth in service to our education mission. The Draper Scholars Program expanded to 19 universities, hosting 76 master's and doctoral students. Across our campuses, 202 undergraduates participated in our Co-op/Intern program. And we expanded our support for high school STEM programs to encourage the next-generation engineers and scientists. Finally, we launched DraperSPARX™ to enable a startup ecosystem for national security.

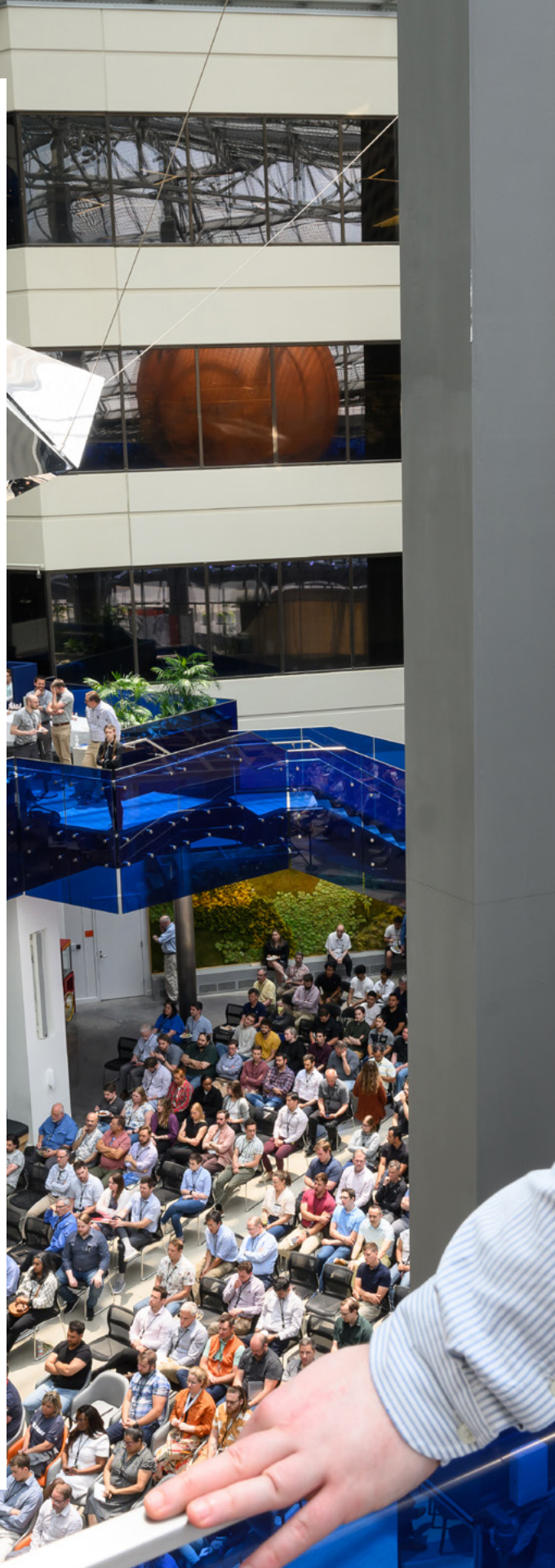
As we build on this momentum and pursue the vision of Draper NXT, we remain committed to defending democracy as the nation's premier innovation factory.

CORPORATE UPDATE

In 2024, Draper marked our inaugural efforts to put Draper NXT in action.

More than a vision, Draper NXT is an action plan. We are fortifying our talent, governance, and business operations so we can maintain our reputation for delivering on customer commitments and expand our impact on the nation's wellbeing.

Throughout the year, we achieved key milestones along the 10-year journey that is Draper NXT. These milestones included significant investments - in our people, culture, technology, and facilities - to modernize our storied innovation engine and deliver for the customer.





Powering a People-Always Culture

At Draper, our people are a priority – always. Their creativity, know-how, and dedication are the keys to solving our customers’ hardest problems. When we invest in our people, we are investing in our customers.

That’s why Draper NXT kicked off with a comprehensive effort to rethink our approach to talent management. In DFY24, we defined a comprehensive framework and invested in modern business systems and processes to manage the entire talent lifecycle.

Our leaders recognize that the workforce of the future thinks differently. At Draper, we understand that inclusion drives innovation. We continue to invest in our people via our Inclusion, Diversity, Equity, and Accessibility (IDEA) strategy. Our largest growth area in our engagement survey was inclusion, which went up by six points year-over-year. We also made major strides toward modernizing our compensation structure to be truly competitive and transparent.

This year saw continued expansion of our recruitment strategy. We added several new partner organizations, including those focused on cleared professionals, veterans, and skill-based organizations, to help us find and attract the best and brightest talent. In addition, we significantly increased our partnerships with colleges and universities – across all Draper locations – to grow our student and early career population. Through these partnerships, we proactively sought candidates with the novel perspectives it takes to solve our customers’ most intractable problems.

In-house talent development was another focus this year. To effectively foster future leaders among our staff, we established an 15-month course tailored to our culture and our customers’ needs. We also expanded our mentorship program, which now encompasses more than 500 employees, including participants throughout our departments and campuses.

Perhaps the most exciting investment in our technical staff this year is the expansion of our GNC Academy. Draper is home to the nation’s foremost experts in guidance, navigation, and control (GNC) for space flight, missile systems, and other mission-critical vehicles. GNC Academy enables knowledge transfer from our highly experienced staff to those who will be responsible for ensuring crewed and autonomous vehicles and systems can go where the nation needs them in the decades to come. This year, 45 employees completed the program, including a new course in the design of radiation-hardened technology – a unique body of expertise at Draper that serves our nation’s current and future strategic systems.



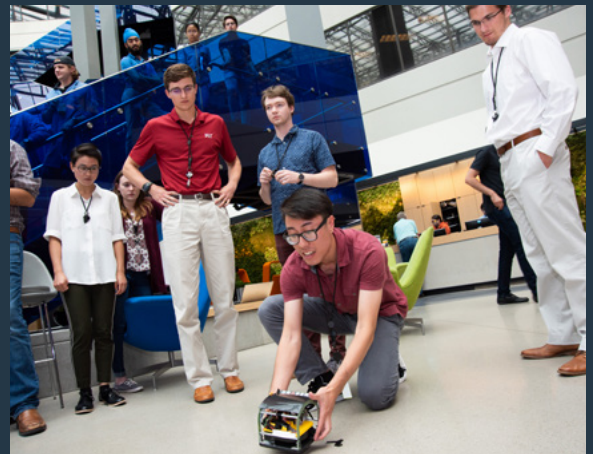
Cultivating the Innovators of Tomorrow

Draper serves more than our country's current mission-critical needs. We are also serving as a talent factory for future national security demands through our graduate and undergraduate research programs and our co-op and internship programs.

In DFY24, the Draper Scholars Program welcomed 70 graduate students from our nation's military academies and preeminent technical schools, offering unparalleled opportunities in applied research. To extend these opportunities to even more students, the program added four engineering institutions: Worcester Polytechnic Institute, University of Florida, Georgia Institute of Technology, and Texas A&M University.

Our undergraduate senior capstone program also expanded, with 24 students from three universities participating in team-based research under the guidance of Draper staff. Similarly, our co-op and internship programs grew, enabling 200 students to experience firsthand what an engineering career has to offer.

In April, our annual Draper Scholars Research Symposium highlighted projects conducted by graduate and undergraduate students. Their work helped advance critical capabilities – such as hypersonics, artificial intelligence, and quantum computing – that can support national security, space exploration, and other missions.



DRAPER® SCHOLARS PROGRAM

70 | Graduate Students Welcomed

+4 | Institutions Join the Program

UNDERGRADUATE SENIOR CAPSTONE PROGRAM EXPANSION

24 | Students

3 | Universities

Bringing the Work to the Customer

Draper NXT emphasizes our commitment to delivering for our customers.

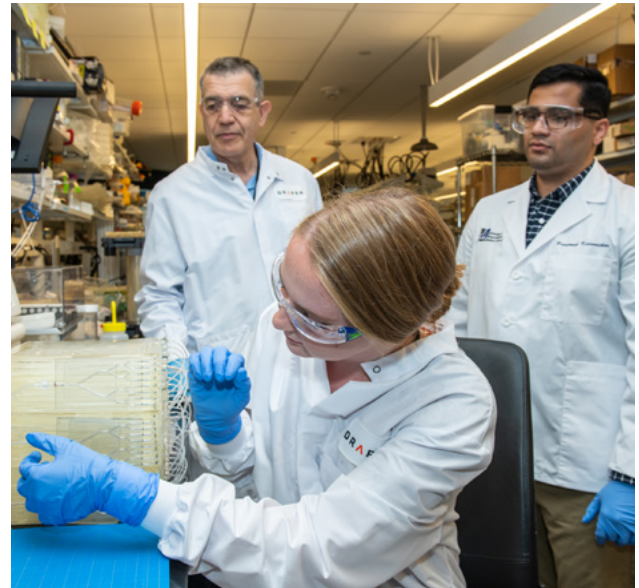
This year, we embodied that commitment by taking the work to the customer – and to the diverse talent we aim to attract. We opened new facilities and substantially upgraded specialized infrastructures to serve the unique needs of our clients.

Draper announced plans to build a world-class facility in Titusville, Florida, to serve the U.S. Navy strategic deterrence mission. When completed, the Strategic Enhanced Ground Test Facility (SEGTF) will be a state-of-the-art resource for simulation, hardware-in-the-loop, and system testing to enable a test-as-you-fly approach for GNC components.

In July 2023, we joined the Intel Foundry U.S. Military, Aerospace and Government (USMAG) Alliance in support of development of secure microelectronics for the Department of Defense (DOD). To support this effort, Draper will leverage our microelectronics manufacturing facility in St. Petersburg, Florida.

To further extend our microelectronics capabilities, we partnered with the University of Massachusetts Lowell to include dedicated Draper facilities in a new building on the school's East Campus. These advanced resources will support the work of faculty and students and enhance Draper's ability to attract the top-tier talent needed to reinforce our rapidly growing microelectronics R&D portfolio.

Finally, we opened a new engineering and operations campus in Utah near Hill Air Force Base. What is now our twelfth campus will serve as a nexus for Draper's support for aerospace, defense, and national security missions – particularly our role as the U.S. Air Force's partner on the Minuteman III and Sentinel programs.



Looking Ahead

Our many investments this year have positioned Draper to further accelerate delivery for our customers in the future. With a solid foundation in place, our sights are set on building momentum under Draper NXT.

This means operationalizing our new talent framework and leadership development program. It means expanding the lens of IDEA to encompass supply chain diversity, accessibility in financial reporting, and other manifestations of life at Draper. And it means continuing to expand our education programs, upgrade our infrastructure, and explore opportunities to serve key customers with a campus presence in the western United States.

Every investment we make will serve the vision of Draper NXT – by supporting and growing our people and fueling the innovation for which Draper is best known.



ENGINEERING TECHNOLOGY

At Draper, we strive not to merely keep pace with our customers' technology needs, but to anticipate them. In DFY24, we undertook a comprehensive effort to elevate and align our technology strategy to the vision of Draper NXT. This vision unifies our efforts, including sponsor-funded programs, contracted R&D (CRAD), and Draper Scholar research. It also drives our investments in internal R&D (IRAD), which for DFY24 totaled \$30 million.

Precision Sensors and Instruments

Draper designs, develops, and produces exquisite instrumentation that is at the heart of our nation's strategic systems. This includes accelerometers, gyros, inertial measurement units, gravimeters, magnetometers, celestial sensors, and clocks - all with the highest precision and security and lowest size, weight, and power (SWAP) consumption.

This year, we advanced our inertial sensing technology for high-dynamic range applications in small form factors, as well as increased manufacturing readiness levels. Under a combination of CRAD and IRAD efforts, we also realized key milestones in the advancement of atomic clock technologies, leveraging our microfabrication expertise to design chip-scale atomic clocks that are more precise and less expensive - by more than tenfold - than the current commercial standard.

Hardened Microelectronics

Draper continues to build on our legacy of breakthrough advancements in the hardening of ultra-miniature electronics and packaging technologies against radiation and



cyberthreats, building in technology protection and using trusted supply chains.

This year, we made significant progress in the development of our Monolith processor. This effort integrates technology advancements Draper delivered under the Government Rad-Hard System on Chip (GRADSoC) program, as well as IRAD investments in numerous enabling technologies – including the development of application-specific integrated circuits (ASICs) slated for fabrication in DFY25. Additional advancements embedded within Monolith include secure boot and operating systems, processor interlocks for policy enforcement, securely packaged heterogeneous processors, and direct bond interconnect technology for wafer-to-wafer or die-to-wafer bonding.

Assured Position, Navigation, and Timing (A-PNT)

From the depths of the ocean to the furthest reaches of space, Draper’s A-PNT solutions enable autonomous operations with precise guidance, navigation, tracking, and control.

This year, we matured our Skymark systems for celestial navigation, as well as our vision-, magnetic-, and gravity map-matching technology. These enhancements will improve system accuracy and lower SWAP and cost, making it easier to integrate A-PNT systems into a wide variety of vehicle and weapon platforms.

Biosystem Technologies

Our bioengineers continue to mature several unique technologies for biothreat detection, monitoring, and rapid countermeasure development. These innovations leverage DFY24 investments in our workforce, as well as our unparalleled expertise in microfluidics, sensors and instrumentation, and AI-powered bioinformatics.

In DFY24, we launched CRAD efforts to design agile microbial sensors for early detection of biothreats. Under CRAD and IRAD projects launched in DFY24, Draper also is tackling the challenge of developing a platform for end-to-end evaluation of medical countermeasures. By using human cells from multiple organ systems to assess the efficacy and potential side effects of new treatments, our solution may one day eliminate the need for animal testing and the risk associated with early human trials.



Analysis, Design, and Development

At Draper, we are working to streamline the R&D process to accelerate the development of our technical innovations to meet our nation’s challenges. This year, we invested in significant improvements in simulation-based mission analysis, advanced digital engineering, modern system engineering, software factory processes, and advanced manufacturing technologies. We also continued our exploration of AI as a disruptive tool for identifying and rapidly scaling leap-ahead capabilities.

Looking Ahead

In the coming years, we will continue to advance the Draper NXT vision for R&D, taking aim at our nation’s most challenging needs. As always, the force that drives technology development at Draper remains the same: to be the nation’s trusted provider of emergent technologies that help ensure security and prosperity.

STRATEGIC SYSTEMS

For more than a half century, Draper has served as a vital mission partner in strategic deterrence. We support critical systems across the nation's existing nuclear triad of air-, land- and sea-based missiles and strategic bombers, while keeping an eye on the problems of the future.

To better deliver for our customers today and tomorrow, we made significant investments this year in our people, technology, and infrastructure. Four cohorts totaling 59 employees graduated from our GNC Academy, and we expanded the curriculum to include a comprehensive course in radiation-hardened design. Draper also broke ground on a state-of-the-art test facility in Florida, modernized our secure workspace in Cambridge, and expanded our presence near key defense customers in Utah.

Ensuring a Credible Strategic Deterrent

The bedrock of Draper's reputation is a 70-year history of support for missile guidance systems for the U.S. Navy and U.S. Air Force.

In DFY24, we continued the crucial work to modernize guidance systems for the Navy's Trident II D5 missiles. As of this year, we delivered more than two-thirds of the total systems required, and the updated Mark 6 Mod 1 system was deployed across approximately 70 percent of the U.S.





fleet of ballistic missile submarines. We also provided modernized systems to our allies in the United Kingdom to support their strategic deterrent.

In September 2023, an unarmed flight test of the Trident II D5LE missile once again proved the unmatched accuracy and reliability of our critical guidance systems for the Navy.

Across the fleet, performance remains strong and ahead of critical planning factors that ensure our nation has credible strategic deterrent capabilities.

Developing New Systems for an Uncertain Future

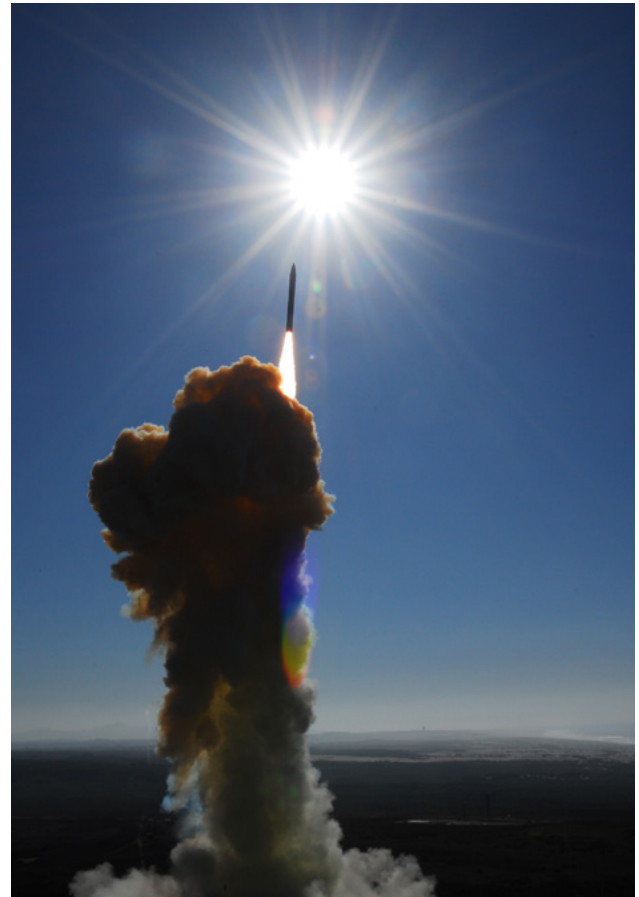
In a testament to our proven performance, the Navy awarded Draper a \$2.2 billion contract to support and further modernize the Trident II boost guidance system through the life of the Ohio Class submarine and the beginning of the transition to the Columbia Class submarine.

Our engineers have begun detailed design work on the next-generation Mark 8 guidance system, the scope of which has not been done at this scale since the 1980s. With a modular system architecture, advanced sensors, and state-of-the-art radiation-hardened electronics, the Mark 8 system will ensure a credible deterrent in the face of an increasingly complex geopolitical environment for generations to come.

In April 2024, as part of an industry team, Draper was selected to develop a key GNC component for new interceptor for the Missile Defense Agency. This program will span development of low-rate initial production to full production by leveraging our core capabilities in radiation-hardened sensors and electronics.

Guiding the Future of Hypersonic Missions

As the DOD pursues high-priority programs focused on hypersonic weapon systems, Draper engineers are delivering multiple enabling technologies.



Looking Ahead

Even as we deliver the solutions our customers' need today, Draper is thinking – and engineering – for the future.

To outpace our adversaries, we are developing new approaches and technologies for strategic systems, and we are looking beyond our traditional role in boost guidance to provide GNC solutions across mission domains. In partnership with government and industry, Draper also is advancing the state of the art in sensors, resilient processing and memory, and radiation-hardened electronics, as well as advanced approaches in digital engineering and enhanced ground test development.

Through these and other innovative efforts, we are committed to ensuring that the United States and our allies maintain credible deterrence – anytime and in any domain – for generations to come.

ELECTRONIC SYSTEMS

Defense and intelligence missions demand technical solutions that enable smarter, faster, trusted decisions. At Draper, we engineer specialized electronic systems that increase mission effectiveness in complex and contested environments.

Specialized Microelectronics for Hostile Environments

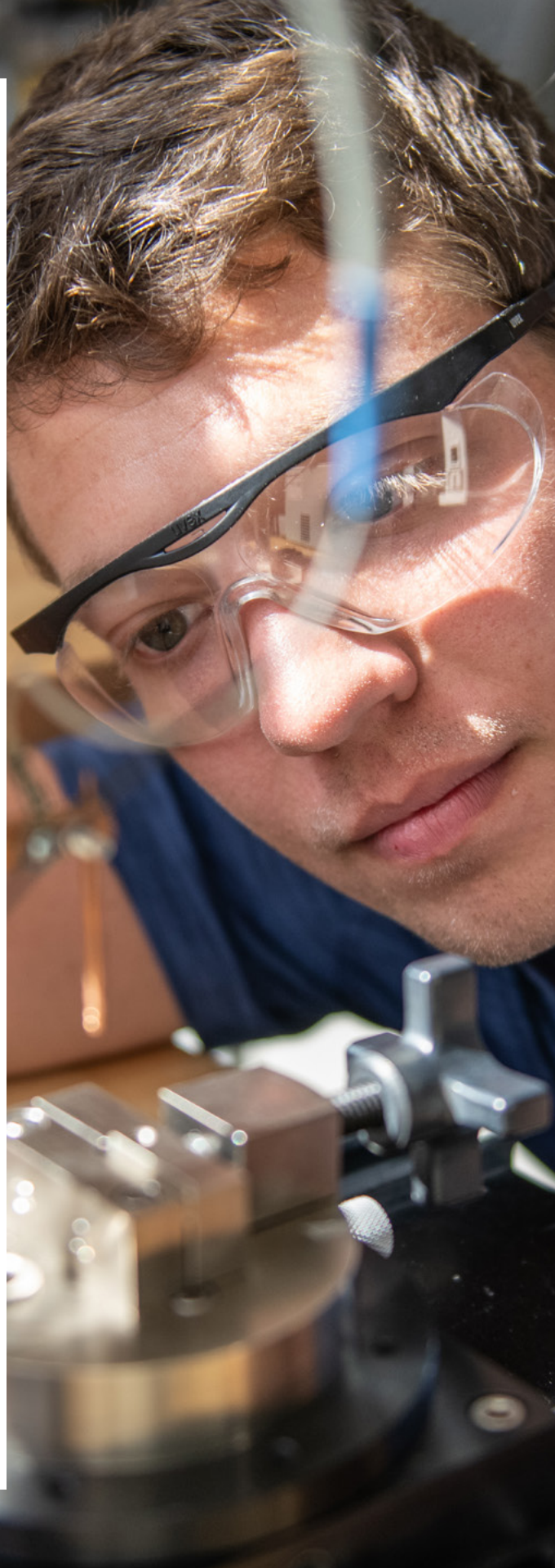
Virtually every military system demands highly specialized microelectronics that perform without fail - even under the most hostile conditions. Draper continues to grow our capabilities and deliver tailored microelectronics that support enduring missions. We support two programs of record for the DOD, including an ACAT 1B program operating from our reopened Advanced Packaging Facility (APF) in St. Petersburg, Florida. Significant new awards in DFY24 include two multi-year contracts.

To fuel our growing portfolio, Draper became an anchor tenant in Massachusetts' Lowell Innovation Network Corridor project. By locating the future home of our microelectronics division at the University of Massachusetts Lowell, we gain access to top-tier talent while fostering the next generation of electronics engineers.

Securing Our Nation's Critical Supply Chains

As experts in microelectronics design and advanced packaging, Draper directly supports our nation's efforts to bolster domestic manufacturing to support military, government, and civil land, sea, air, and space applications.

In DFY24, we joined the Intel Foundry U.S. Military, Aerospace and Government Alliance. A first in the industry, the alliance joins a trusted design ecosystem with U.S.-based state-of-the-art process technology to assure the supply of critical high-performance components for national security applications. As the design agent, Draper



collaborates with Intel Foundry teams on solutions for fault-tolerant computing, artificial intelligence, biotechnology, and other high-security applications for military, aerospace, and government customers.

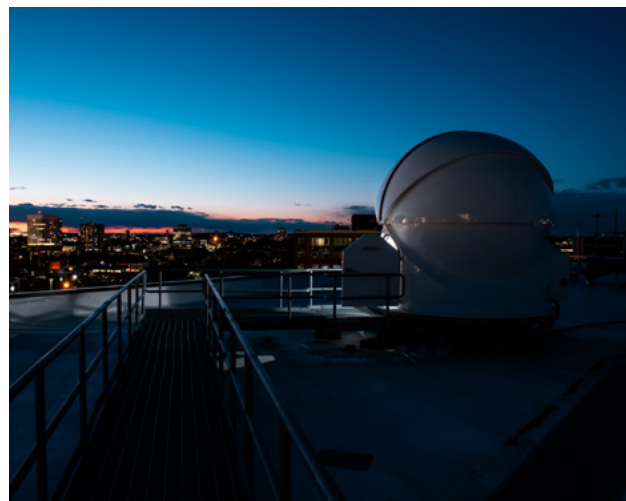
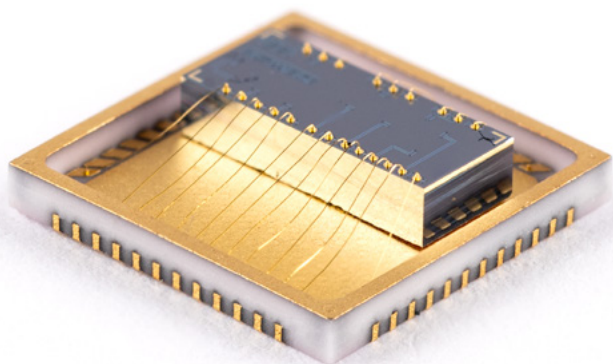
Draper also contributes to key R&D initiatives spurred by the 2022 CHIPS and Science Act to strengthen the U.S. semiconductor supply chain. In 2024, we joined two of eight regional hubs created as part of the Microelectronics Commons, which aims to shorten the transition of advanced technologies from laboratory to fabrication.

Enabling Freedom of Navigation - Anywhere, Anytime, Any-threat (A³)

To navigate in degraded and denied environments created by our adversaries, U.S. missions demand A³ PNT technologies.

As part of our ongoing support for our nation's GPS modernization efforts, experts at our Telecommunicators Simulator Test Station in Cape Canaveral, Florida, verified the performance of satellites and ground systems using new M-Code signals. Completion of these tests brings the military one step closer to operationalizing its stronger, encrypted GPS capabilities for improved anti-jamming.

In DFY24, our Skymark celestial navigation technology made significant strides in transitioning to production for airborne and ship-based configurations. These systems provide alternative navigation capabilities for the fleet, even when GPS signals are unavailable.



Intelligent Autonomy for Hazardous Missions

Ideal for missions that encounter extreme conditions, autonomous systems continue to rapidly advance.

As we continued to deploy mission-focused unmanned capabilities for immediate fielding by national security customers, Draper also extended our autonomy capabilities in DFY24. Under a \$26 million DOD award, we are extending our unmanned system for chemical, biological, radiological, and nuclear (CBRN) reconnaissance missions - known as CSIRP - with teaming architecture to support the U.S. Army's Stryker platform. The resulting system will enable aerial, ground, and maritime drones and robots to communicate and collaborate. Draper is integrating CSIRP with our Tactical Assault Kit (TAK) platform to provide real-time mapping of CBRN hazards for human operators.

Looking Ahead

Electronic Systems is a critical enabler for every mission Draper supports. As we imagine, design, and operationalize the next generation of microelectronics, our sights are set on our customers' most complex challenges - protecting national security, bolstering the onshore industrial base, and ensuring freedom of navigation for civil and commercial vessels. Our leadership is committed to supporting the growth and innovation it will take to anticipate and meet the needs of our nation.

SPACE SYSTEMS

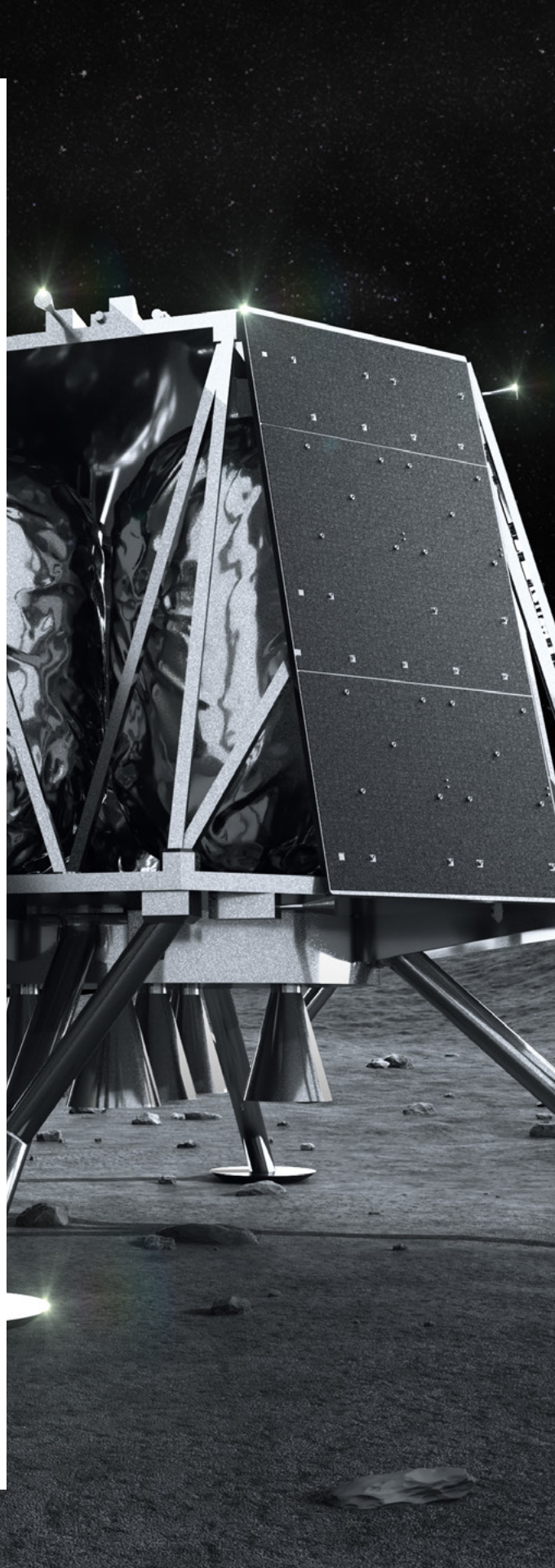
As Space Race 2.0 intensifies, Draper remains a highly valued thought leader and technology provider for civil and defense space agencies and their commercial partners. Currently, we lead and support numerous R&D efforts to advance technologies for domain awareness, dynamic operations, and A-PNT. This year, we achieved important milestones and celebrated awards that build on our legacy and maintain our front-row seat for humankind's return to the Moon.

Just as we honor our long history of contributions to our nation's first forays into space, one day we will look back on work delivered and initiated this year and say, "Draper did that."

Responsive, Dynamic Operations for Earth Orbit and Beyond

Draper designs and delivers mission-essential technologies for every phase of civil, commercial, and defense missions in space – from launch through orbit, landing, and re-entry. We have long been a highly valued partner to the National Aeronautics and Space Administration (NASA), a role we maintain across the agency's growing commercial programs.

As a prime contractor under the Commercial Lunar Payload Services (CLPS) program, we continued steady progress in the design of a system capable of delivering critical science equipment to the lunar surface and into lunar



orbit in 2026. On behalf of NASA's Science Mission Directorate, Draper is performing overall program management, systems engineering, integration and test, and mission and quality assurance – as well as developing the descent control system for the lunar lander.

Draper also provides Sierra Space's Dream Chaser® spaceplane with flight software and GNC, as well as independent verification and validation support. Dream Chaser is a reusable transportation system designed to expand commercial resupply services in low Earth orbit.

As a member of the Blue Origin National Team, Draper is developing GNC and flight avionics for the Artemis V Moon mission Human Landing System (HLS). The landing system will ferry astronauts to and from the Gateway space station, for which we are also providing onboard GNC and systems-level engineering. Throughout the year, we hosted teams of astronauts at our Cambridge campus to conduct pilot evaluations.

Also this year, Draper's Multi-Environment Navigator (DMEN) was successfully flight-tested as part of a New Shepard suborbital mission. By fusing data from vision-based and inertial navigation systems, DMEN supports precise entry, descent, and landing operations without GPS. This successful test marks an important milestone in advancing the technology readiness of the DMEN system by validating its algorithms in a suborbital environment.

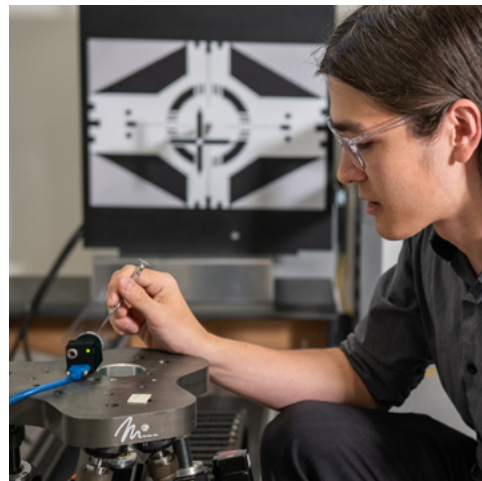
DFY24 also marked a major first in hypersonic flight: the first powered flight of the Stratolaunch Talon A-1 aircraft. Guided by Draper-engineered GNC, the aircraft achieved speeds approaching Mach 5 and collected vital data to further advance the technology.

Looking Ahead

As civil and defense agencies expand their reliance on commercial space solutions, Draper is prepared to innovate at the speed of business, while effectively managing risks and resources. We stand ready to serve our federal customers, and the commercial firms on which they rely, as thought leaders and partners – defining emerging needs and expanding the scope of what's possible.

This includes leveraging Draper's core technologies to reduce development costs and accelerate development. We are committed to maturing our capabilities to serve as the nation's mission-essential provider of pioneering capabilities for all aspects of space exploration and human spaceflight – including evolving needs in space domain awareness and in-space servicing, assembly, and manufacturing.

Across these and many other efforts, we serve the unifying goal of maintaining U.S. leadership in space and preserving access to its vital resources for the good of all humankind.



BIOTECHNOLOGY SYSTEMS

As advances in biotechnology, automation, and artificial intelligence converge and accelerate, transformative impacts are coming to national security. In support of the U.S. and our allies, Draper conducts classified, contained, and clinical R&D in biodefense and biomedical engineering. This year, we celebrated major awards and marked milestones in the maturation of solutions for biosurveillance and warfighter performance and health - in the battlespace and at home.

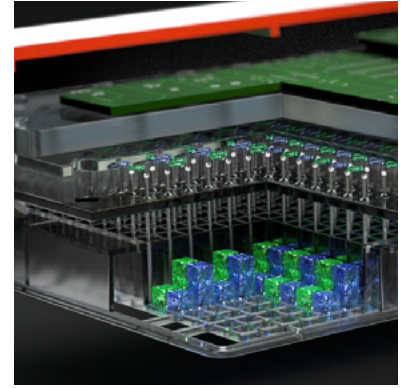
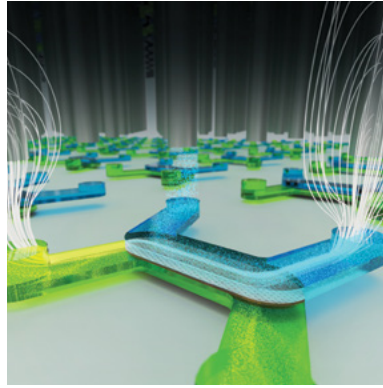
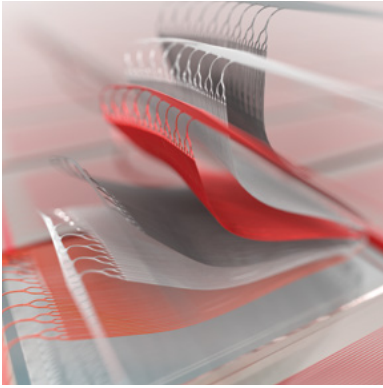
Early Warning and Rapid Response to Biological Threats

From naturally occurring pandemics to attacks by state and nonstate adversaries, the biothreat landscape is complex and constantly evolving. To counter these threats, Draper develops biotechnologies for defense and emergency response.

In DFY24, we continued developing a device for detecting biothreats in the field under a program funded by the Defense Advanced Research Projects Agency (DARPA). The device combines multiple Draper technologies with a highly sensitive assay developed by MRIGlobal to screen pathogens. This year, we delivered an advanced prototype to testing partners for evaluation.

We also developed a bioinformatics pipeline for predicting protein-protein interactions. Funded by the Intelligence Advanced Research Projects Activity (IARPA), we demonstrated a proof of principle that one day may accelerate development of diagnostics and vaccines for viral pathogens.





In May 2024, Draper received a \$9 million contract under DARPA's Tellus Program, an initiative to advance environmental monitoring using bacteria, fungi, algae, and other microbes. Our bioengineers will develop a platform methodology for designing microbe-based sensing systems to function in specific environments and generate output signals. Ultimately, our efforts will inform the development of systems for detecting radioactivity, heavy metals, magnetic fields, and other hazardous substances.

Our work with the Biomedical Advanced Research and Development Authority (BARDA) expanded this year with a \$26 million award to develop medical countermeasures for infectious disease, as well as chemical, biological, radiological, and nuclear agents. The work leverages our advanced microphysiological systems platform, which combines multiple Draper innovations - including our PREDICT96™ tissue culture platform and multiple organ-on-a-chip models - with advanced biological and analytical methods

Bioengineering Advances for Warfighter Performance and Health

The readiness of warfighters and first responders is essential to our nation's defense.

Our experts in human science support the U.S. Army's premier research program on soldier performance. Draper's ongoing contributions include data analytics, interface design, and software engineering, as well as support for field trials and human testing. In DFY24, we developed an algorithm to help anticipate the physical risks associated with fatigue.

In July 2023, Draper began work under DARPA's Neural Evidence Aggregation Tool (NEAT) program to develop a device that can identify servicemembers

and veterans at risk of suicide. This year, we successfully demonstrated a noninvasive device that can measure preconscious brain signals to feed a machine-learning pipeline that ultimately will provide clinicians with an objective metric for mental health.

This year also marked key milestones in the advancement of Draper's blood oxygenation technology (BLOx). BLOx offers a safer and potentially portable alternative to existing artificial respirators, which are prone to blood clots and other risks. This year, through BARDA's Healing Lungs program, we designed and tested a pumpless, wearable prototype, successfully demonstrating stable and virtually clot-free operation without systemic anticoagulant.

Looking Ahead

The future of our national security demands transformative biotechnology solutions. Draper aims to meet that demand by tackling complex challenges in service of our warfighters - including autonomous and threat-agnostic biosurveillance, agile diagnostics and medical interventions, and advanced microphysiological system models to expedite drug discovery and development. We are making significant investments in our biotechnology workforce and infrastructure to ensure our ability to design, develop, and deliver the advanced biotechnology systems our customers will need.

LOOKING AHEAD

As the U.S. faces multiple, simultaneous threats that challenge national security and domestic resources, federal agencies need a trusted partner capable of rapid innovation. For defense and intelligence missions, Draper has long been - and will remain - that partner.

Draper NXT embodies our customer commitment and maps an ambitious course of transformation to scale our capabilities to our nation's future needs. Through significant investments in our people and infrastructure this year, we are already gaining momentum.



Growing Talent and Expanding IDEA

As customer demand grows, so must our workforce – not just in numbers, but also in diversity as well as technical, business, and leadership skills.

Draper is on course to reach 5,000 employees by 2033. We are building bench strength in key technical disciplines – engineering, science, skilled trades – and functional support skill sets. The true measure of success is the quality of our teamwork and the creativity and effectiveness of our solutions. Advancing our IDEA program ensures that we are integrating broad ideas and ingenuity throughout the organization. In the coming years, we will fully integrate IDEA into talent processes by our continued partnership with IDEA supporting national diversity conferences.

We also are taking our educational mission to the NXT level. Among other initiatives, we aim to expand the list of colleges and universities that participate in the Draper Scholars Program and to welcome 250 of the nation’s brightest master’s and Ph.D. students each year.



Modernizing Operations and Infrastructure to Meet the Mission

Draper will build on this year’s operational transformation, aligning our systems and processes on industry best practices in resource planning and integrated management of contracts, supply chains, risk, and data. Modernization efforts across Draper extend to our business systems, governance, and decision frameworks. We are clarifying and streamlining these functions to provide government customers with the transparency and accountability they expect.

Across our campuses, we are modernizing and building new classified facilities to meet the highest U.S. government security standards. Additionally, we are developing a Protection Level-3 network to consolidate our classified systems, expand connectivity with industry partners and government sponsors, and boost efficiencies.

Powering the Innovation Factory

Fueled by a combination of external, cooperative, and internal funding, Draper’s technology vision takes aim at our nation’s most critical needs. In the coming years, Draper anticipates investing a minimum of 15 percent of revenue in internal research and development. This enables our engineers to anticipate missions yet to be defined, explore new fields, and advance proven technologies so they are ready when our customers need them.

To help meet the acute need for rapid innovation in service of defense customers, Draper is excited to ramp up our DraperSPARX™ initiative. The program helps startups and small businesses create and validate prototypes to rapidly prove the value of new technologies for national security missions. By bringing together talented startups and industry leaders, DraperSPARX™ aims to fast-track research, development, and deployment of technologies that will shape the future of the defense industry.

The NXT Horizon

Because innovation is our domain, Draper is always thinking about the future. Every program, investment, initiative, and new hire is a strategic decision with our customers in mind.

Even as we celebrate the accomplishments of DFY24, we recognize that the nation needs more. Today and always, our sights are always set on what’s NXT.

FINANCIAL STATEMENTS

June 28, 2024 and June 30, 2023

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the accompanying financial statements of The Charles Stark Draper Laboratory, Inc. (“Draper”), which comprise the statements of financial position as of June 28, 2024 and June 30, 2023, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the “financial statements”).

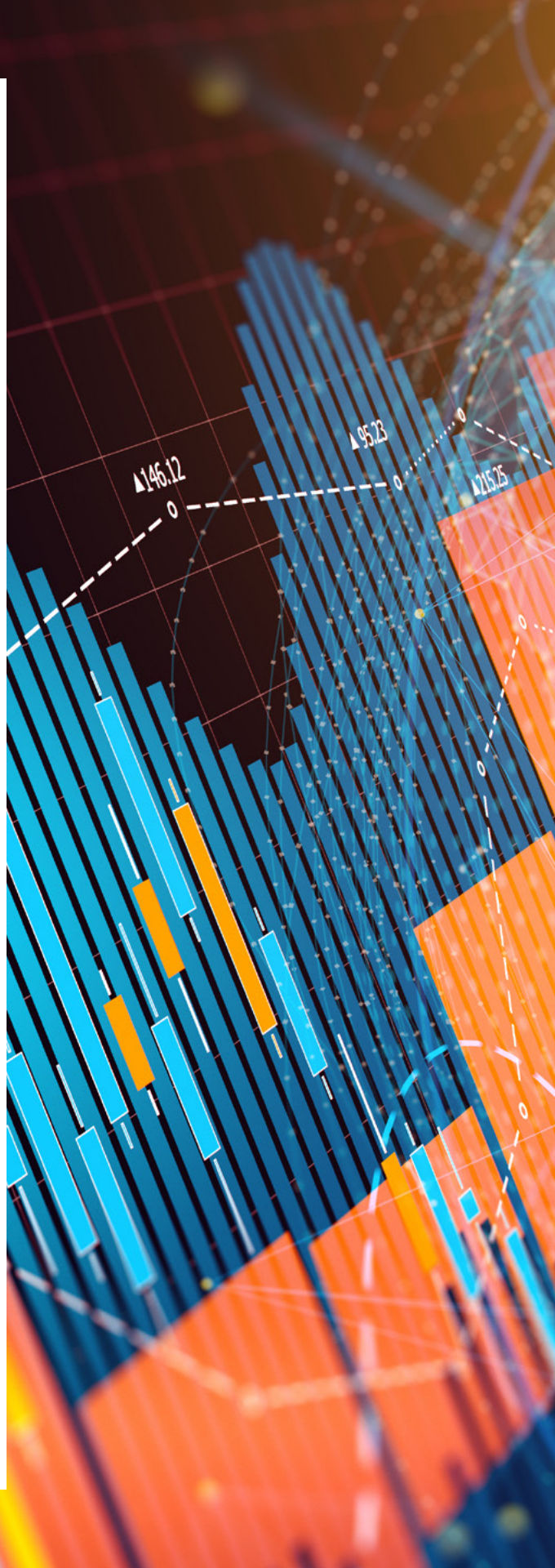
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Draper as of June 28, 2024 and June 30, 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States



of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Draper's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Draper's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Draper 2024 Annual Report, but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

Boston, Massachusetts

September 20, 2024



PricewaterhouseCoopers LLP,
101 Seaport Boulevard, Boston, Massachusetts 02210
T: (617) 530 5000, www.pwc.com/us

Statements of Financial Position
June 28, 2024 and June 30, 2023

ASSETS	2024	2023
Current assets		
Cash and cash equivalents	\$ 138,043,109	\$ 137,006,080
Accounts receivable, net of provision for expected credit losses of \$2,335,664 and \$1,803,434 in 2024 and 2023, respectively	73,761,582	58,699,454
Unbilled contract costs and fees, net of allowance of \$2,151,322 and \$5,080,956 in 2024 and 2023, respectively	60,161,814	72,370,926
Other current assets	24,580,240	16,682,561
Total current assets	<u>296,546,745</u>	<u>284,759,021</u>
Long-term investments	206,973,280	189,003,071
Net investment in sales-type leases	-	276,147
Deferred charges and other assets	-	499,497
Prepaid pension benefits	43,415,998	31,725,257
Property and equipment, net	254,334,284	226,274,535
Operating lease right-of-use assets	15,741,917	13,303,720
Total assets	<u>\$ 817,012,224</u>	<u>\$ 745,841,248</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued contract costs	\$ 58,984,925	\$ 54,002,648
Accrued compensation and related expenses	41,385,097	31,875,128
Current portion of notes payable	2,257,555	2,259,008
Current portion of bonds payable	3,240,000	3,150,000
Other accrued expenses	5,383,145	4,806,690
Total current liabilities	<u>111,250,722</u>	<u>96,093,474</u>
Accrued post-retirement benefits	715,182	4,099,968
Notes payable, long-term	1,456,727	3,706,043
Bonds payable, net of deferred financing costs	86,685,476	89,874,557
Operating lease liabilities, long-term	15,259,169	12,549,317
Deferred revenue and other long-term liabilities	49,104,447	54,342,581
Total liabilities	<u>264,471,723</u>	<u>260,665,940</u>
Net assets without donor restrictions	552,540,501	485,175,308
Total liabilities and net assets	<u>\$ 817,012,224</u>	<u>\$ 745,841,248</u>

Statements of Activities
June 28, 2024 and June 30, 2023

OPERATING REVENUES

	<u>2024</u>	<u>2023</u>
Gross revenue	\$ 853,696,398	\$ 750,188,115
Other income	79,622	4,012,437
Total operating revenues	<u>853,776,020</u>	<u>754,200,552</u>

OPERATING EXPENSES

Direct costs

Subcontracts	182,523,844	174,732,937
Salaries and wages	188,813,631	163,773,684
Employee benefits	90,759,237	77,402,483
Materials, services, and rentals	68,352,278	53,874,189
Other; principally travel and equipment	64,251,981	62,372,123
Total direct costs	<u>594,700,971</u>	<u>532,155,416</u>

Indirect costs

Salaries and wages	102,402,759	87,905,013
Employee benefits and vacations	39,794,267	33,218,221
Materials, services, and rentals	29,102,453	19,874,748
Depreciation and amortization	30,063,145	28,955,224
Facilities, communications, unallowables, and other	29,837,402	24,500,457
Total indirect costs	<u>231,200,026</u>	<u>194,453,663</u>
Total operating expenses	<u>825,900,997</u>	<u>726,609,079</u>
Increase in net assets without donor restrictions from operations	<u>27,875,023</u>	<u>27,591,473</u>

Non-operating gains (losses)

Interest expense and fees	(3,910,246)	(4,097,436)
Investment return (net of investment costs)	17,390,813	15,855,013
Other non-operating income, net	11,105,063	5,373,452
Other components of net period benefit costs	8,355,271	6,791,095
Other changes in pension and post-retirement benefits	6,549,269	2,253,810
Total non-operating gains (losses), net	<u>39,490,170</u>	<u>26,175,934</u>
Increase in net assets without donor restrictions	67,365,193	53,767,407
Net assets without donor restrictions, beginning of year	485,175,308	431,407,901
Net assets without donor restrictions, end of year	<u>\$ 552,540,501</u>	<u>\$ 485,175,308</u>

Statements of Cash Flows
June 28, 2024 and June 30, 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets without donor restrictions	\$ 67,365,193	\$ 53,767,407
Adjustments to reconcile change in net assets without donor restrictions to net cash used by operating activities		
Depreciation and amortization	30,119,670	28,955,224
Realized and net change in unrealized gains (losses) on long-term investments	(15,322,124)	(12,919,627)
Other changes in pension and post-retirement benefits	(6,549,269)	(2,253,810)
Gain on disposal of property and equipment	2,274	(20,500)
Other non-cash adjustments	3,843,739	5,158,157
Changes in operating assets and liabilities		
Accounts receivable	(15,062,127)	(10,413,114)
Net investment in sales-type leases	-	215,335
Prepaid pension benefits	(10,929,431)	(8,154,136)
Unbilled contract costs and fees	12,209,112	(1,606,245)
Other current assets	(7,897,679)	901,046
Deferred charges and other assets	444,800	552,184
Accounts payable and accrued contract costs	(3,327,410)	39,902
Accrued compensation and related expenses	11,224,470	997,649
Deferred revenue	(5,476,375)	11,614,102
Other accrued expenses	(4,267,180)	(5,826,358)
Net cash provided by operating activities	<u>56,377,663</u>	<u>61,007,216</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(49,799,865)	(34,492,046)
Proceeds from sale of property and equipment	-	20,500
Timing differences on purchases and sales	7,040,308	1,550,806
Purchase of investment securities	(83,835,230)	(71,973,356)
Proceeds from sale of investment securities	76,654,924	70,563,752
Net cash used by investing activities	<u>(49,939,863)</u>	<u>(34,330,344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debt	(5,400,771)	(5,242,473)
Net cash used by financing activities	<u>(5,400,771)</u>	<u>(5,242,473)</u>
Net increase in cash and cash equivalents	1,037,029	21,434,399
Cash and cash equivalents, beginning of year	137,006,080	115,571,681
Cash and cash equivalents, end of year	<u>\$ 138,043,109</u>	<u>\$ 137,006,080</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 3,881,521	\$ 4,050,172
Property and equipment in accounts payable and accrued contract costs	\$ 10,661,732	\$ 2,385,512
Lease liabilities from obtaining right-of-use assets	\$ 6,109,880	\$ 18,413,028

Notes to 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 FY2024 and FY2023, respectively.

Capitalized Software

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

Revenue Recognition

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

Draper delivers most of its services under 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 other FAR supplements, Office of Management and Budget (“OMB”), and Cost Accounting Standards (“CAS”), which provide requirements and guidance on the structure of, and compliance with, contracts and types of costs that are allowable in establishing prices for the services provided under government contracts. Business with the U.S. government may be affected by changes in procurement policies, budget considerations, changing concepts of national defense, political developments abroad, and other factors.

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

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

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

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

Draper recognized revenue of \$853,695,784 and \$749,847,909 over time and \$80,236 and \$4,352,643 at a point in time during FY2024 and FY2023, 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

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

Property and Equipment

Equipment with a unit cost of more than \$5,000 and having a useful life of more than one year are capitalized. Depreciation of owned equipment is generally 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 forty years. Generally, building improvements are depreciated over the remaining useful life of the building.

When assets are retired or otherwise disposed, the assets and related accumulated depreciation are removed 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.

Leases

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

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

Independent Research

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

Cash and Cash Equivalents

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

Long-Term Investments

Investments with readily determinable fair values are based on quoted market prices. Insurance contracts utilize unobservable data points for fair market value. Draper utilizes net asset value ("NAV") as a practical expedient for estimates of fair value of its investments in private placements, including those within global equities, global fixed income, absolute

return, real assets, and private capital. Realized gains and losses on investment securities are determined by the specific identification method. Dividends are recorded on the ex-dividend date and interest income is recorded on the accrual basis. Investment returns are reported net of related investment expenses.

Accounts Receivable

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

Advertising

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

Recently Adopted Accounting Pronouncements

In June 2016, The FASB issued ASU No.2016-13 Measurement of Credit Losses on Financial Instruments (Topic 326), which replaces the current GAAP incurred loss impairment methodology with one that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this Update for Draper are effective for the year ended June 28, 2024.

Draper's accounts receivable are reported at an amount equal to the amount that is expected to be collected for providing services to customers. Because accounts receivable is typically paid for by highly-solvent, creditworthy payors, such as government agencies, credit losses are infrequent and insignificant in nature; as such, Draper generally does not recognize provision for expected credit losses. Amounts recognized for expected credit losses are not materially different than amounts historically recorded as allowances for doubtful accounts.

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

Draper adopted ASU 2016-02 effective July 2, 2022, and elected the modified retrospective approach by which it

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

2. Long-Term Investments

Up through April 30, 2024, Draper's investment portfolio was managed by Agility, acting as Draper's outsourced chief investment officer. As of May 1, 2024, RockCreek became Draper's outsourced investment officer. In this capacity, both Agility and RockCreek invested with full discretion on Draper's behalf, adhering to the investment guidelines set forth in the investment policy statement approved by the Finance Committee of Draper's Board of Directors, ("BOD"). Draper's investments are presented at fair value in accordance with GAAP. Draper measures investment portfolio assets using the month-end date closest to Draper's fiscal year-end date. There were capital commitments of \$8,553,176 and \$7,077,309 as of June 28, 2024 and June 30, 2023, respectively, which are expected to be funded from the existing long-term investment assets.

Draper's long-term investment portfolio consists of the following as of June 28, 2024 and June 30, 2023:

	<u>2024</u>	<u>2023</u>
Investment securities		
Cash and money market mutual funds	\$ 11,054,531	\$ 1,238,268
Global equity	97,457,843	92,079,112
Global fixed income	45,848,722	41,452,465
Absolute return	31,620,966	26,437,036
Real assets	5,509,029	11,480,755
Private capital	14,562,169	15,376,133
Insurance contracts and other	920,020	829,973
Total investment securities at fair value	<u>\$ 206,973,280</u>	<u>\$ 188,893,742</u>
Other investments	-	109,329
Total investment securities at amortized cost	<u>\$ -</u>	<u>\$ 109,329</u>
Total long-term investments	<u>\$ 206,973,280</u>	<u>\$ 189,003,071</u>

The following tables present information about the assets that are measured at fair value on a recurring basis as of June 28, 2024 and June 30, 2023 and indicate the fair value hierarchy of valuation techniques Draper utilized to determine such fair value:

	<u>June 28, 2024</u>	<u>Level 1 Assets</u>	<u>Level 2 Assets</u>	<u>Level 3 Assets</u>	<u>NAV as Practical Expedient</u>
Investment securities					
Cash and money market mutual funds	\$ 11,054,531	\$ 11,054,531	\$ -	\$ -	\$ -
Global equity	97,457,843	51,559,287	-	-	45,898,556
Global fixed income	45,848,722	25,528,406	-	-	20,320,316
Absolute return	31,620,966	-	-	-	31,620,966
Real assets	5,509,029	3,127,613	-	-	2,381,416
Private capital	14,562,169	-	-	-	14,562,169
Insurance contracts and other	920,020	-	570,036	349,984	-
Total investment securities at fair value	<u>\$ 206,973,280</u>	<u>\$ 91,269,837</u>	<u>\$ 570,036</u>	<u>\$ 349,984</u>	<u>\$ 114,783,423</u>
Investment securities					
Cash and money market mutual funds	\$ 1,238,268	\$ 1,238,268	\$ -	\$ -	\$ -
Global equity	92,079,112	47,328,854	-	-	44,750,258
Global fixed income	41,452,465	23,649,395	-	-	17,803,070
Absolute return	26,437,036	-	-	-	26,437,036
Real assets	11,480,755	8,380,581	-	-	3,100,174
Private capital	15,376,133	-	-	-	15,376,133
Insurance contracts and other	829,973	-	541,945	288,028	-
Total investment securities at fair value	<u>\$ 188,893,742</u>	<u>\$ 80,597,098</u>	<u>\$ 541,945</u>	<u>\$ 288,028</u>	<u>\$ 107,466,671</u>

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

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

The 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 present the redemption terms and restrictions on Draper's investments measured using NAV as a practical expedient as of June 28, 2024 and June 30, 2023, respectively.

Redemption Terms as of June 28, 2024

Assets	Fair Value	Redemption Terms	Days Notice
Global equities	\$ 45,898,556	Range from daily to 12 months, with one fund subject to a 25% gate	2-90 days
Global fixed income	20,320,316	Range from daily to 3 months	5-90 days
Absolute return	31,620,966	Range from 30 days to 24 months, with certain funds subject to 8.33% to 100% gates and/or additional lock-up provisions, while others are not available for redemption	45-100 days
Real assets	2,381,416	Range from daily to 1 month	1-30 days
Private capital	14,562,169	Illiquid	Not applicable
	<u>\$ 114,783,423</u>		

Redemptions as of June 30, 2023

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

3. Property and Equipment

Property and equipment is stated at cost. The following is a summary of property and equipment at cost, less accumulated depreciation, as of June 28, 2024 and June 30, 2023:

	<u>2024</u>	<u>2023</u>
Data processing equipment	\$ 92,832,531	\$ 83,239,485
Lab and other equipment	188,220,199	175,419,980
Building and leasehold improvements	205,210,104	191,917,401
Building	74,032,183	69,266,323
Land	35,767,716	32,495,864
Construction in progress	39,242,789	25,340,983
	<u>635,305,522</u>	<u>577,680,036</u>
Less: Accumulated depreciation	380,971,238	351,405,501
Property and equipment, net	<u>\$ 254,334,284</u>	<u>\$ 226,274,535</u>

Depreciation expense was \$30,010,215 and \$28,849,486 for FY2024 and FY2023, respectively, while amortization expense was \$105,616 and \$158,425 for FY2024 and FY2023, respectively. Draper capitalizes interest cost incurred during the period of construction of capital assets. Interest costs capitalized during FY2024 and FY2023 were \$322,633 and \$227,831, respectively.

4. Capital Facilities Allowances and Non-reimbursed Expenses

Capital facilities allowance is an imputed cost related to the cost of Draper's capital committed to facilities used to support sponsored work. Capital facilities allowances of \$7,193,339 in FY2024 and \$7,178,224 in FY2023 are included in the statements of activities.

In FY2024 and FY2023, certain operating expenses were either subsidized by Draper or were not reimbursed under the terms of Draper's contracts with its various customers. The cost of total Draper funded projects was \$22,632,714 and \$14,833,373 for FY2024 and FY2023, respectively. In addition, total non-reimbursed operating expenses included in indirect costs were \$10,297,837 and \$7,245,865 for FY2024 and FY2023, respectively, and consist of unallowable personnel and administrative-related expenses.

5. Commitments and Contingencies

During FY2024, the Defense Contract Management Agency ("DCMA") and Draper settled indirect rates for FY2020 through FY2023. The application of FY2020 through FY2023 settled rates was reflected in Draper's FY2024 financial statements.

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.

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

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 \$1,314,535 and \$863,759 at the end of FY2024 and FY2023, respectively.

6. Liquidity and Availability of Financial Assets

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

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 138,043,109	\$ 137,006,080
Accounts receivable, net of provision for expected credit losses	73,761,582	58,699,454
Unbilled contract costs and fees, net of allowances	60,161,814	72,370,926
Investments redeemable within one year	179,639,827	148,829,928
Total financial assets available within one year	<u>\$ 451,606,332</u>	<u>\$ 416,906,388</u>

Draper structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Draper invests cash in excess of current liquidity needs in Federal Deposit Insurance Corporation-insured cash sweep deposit accounts. To further manage liquidity needs, Draper has committed lines of credit in the amount of \$100,000,000 (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. No investment withdrawals were made in FY2024 and FY2023 nor are any planned at this time.

7. Pension and Other Post-Retirement Benefit Plans

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

The following schedules provide summary information about Draper's benefit plans for the years ended June 28, 2024 and June 30, 2023:

	<u>PENSION BENEFITS</u>		<u>MEDICAL BENEFITS</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Benefit obligation at end of year	\$ 100,471,061	\$ 103,856,612	\$ 14,158,267	\$ 19,003,849
Fair value of plan assets at end of year	130,969,823	127,064,632	26,360,343	24,264,799
Funded (unfunded) status of the plans	<u>\$ 30,498,762</u>	<u>\$ 23,208,020</u>	<u>\$ 12,202,076</u>	<u>\$ 5,260,950</u>
Statements of Financial Position				
Noncurrent Assets	\$ 31,213,922	\$ 27,307,988	\$ 12,202,076	\$ 5,260,950
Noncurrent liabilities	(715,160)	(4,099,968)	-	-
Funded (unfunded) status of the plans	<u>\$ 30,498,762</u>	<u>\$ 23,208,020</u>	<u>\$ 12,202,076</u>	<u>\$ 5,260,950</u>
Net period benefit cost	<u>\$ (2,501,833)</u>	<u>\$ (2,462,072)</u>	<u>\$ (2,049,827)</u>	<u>\$ (1,649,761)</u>
Amounts not yet reflected in net periodic benefit cost and included in net assets without donor restrictions:				
Accumulated actuarial loss (gain)	\$ (2,551,231)	\$ (824,626)	\$ (15,456,147)	\$ (10,290,738)
Prior service costs (benefits)	10,699	743,003	(207,084)	(1,242,504)
Net (gain) loss	<u>\$ (1,840,532)</u>	<u>\$ (81,623)</u>	<u>\$ (15,663,231)</u>	<u>\$ (11,533,242)</u>

	<u>RPE</u>	<u>RPDE</u>	<u>Total Pension Benefits</u>	<u>Medical Benefits</u>
At June 28, 2024				
Benefit obligation at end of year	\$ 90,454,245	\$ 10,016,816	\$ 100,471,061	\$ 14,158,267
Fair value of plan assets at end of year	89,739,085	41,230,738	130,969,823	26,360,343
Funded (Unfunded) status of the plans	<u>\$ (715,160)</u>	<u>\$ 31,213,922</u>	<u>\$ 30,498,762</u>	<u>\$ 12,202,076</u>

At June 30, 2023

Benefit obligation at end of year	\$ 94,016,295	\$ 9,840,317	\$ 103,856,612	\$ 19,003,849
Fair value of plan assets at end of year	89,916,327	37,148,305	127,064,632	24,264,799
Funded (Unfunded) status of the plans	<u>\$ (4,099,968)</u>	<u>\$ 27,307,988</u>	<u>\$ 23,208,020</u>	<u>\$ 5,260,950</u>

The RPE provides retirement benefits paid from the net assets available in the plan for plan benefits. Retirement benefits are paid to participants in equal monthly payments beginning in the month following retirement and continue until death. Payments to a surviving spouse are made at a reduced level. This plan comprises approximately 79% of Draper's pension and post-retirement health insurance and prescription drug benefit obligations as of June 28, 2024.

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

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

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

Draper's contributions to the defined contribution plan net of employee forfeitures were \$30,331,302 and \$25,254,606 for FY2024 and FY2023, respectively.

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	
	2024	2023	2024	2023
Benefit obligation at end of year	\$ 103,856,612	\$ 108,423,542	\$ 19,003,849	\$ 20,735,727
Service cost	-	-	661,549	628,284
Interest cost	4,705,873	4,376,982	824,413	863,154
Plan participants' contributions	-	-	238,148	232,309
Change in assumptions	(3,167,810)	(4,509,381)	(5,236,989)	(2,328,234)
Benefits paid	(4,923,614)	(4,434,531)	(1,332,703)	(1,127,391)
Benefit obligation at end of year	<u>\$ 100,471,061</u>	<u>\$ 103,856,612</u>	<u>\$ 14,158,267</u>	<u>\$ 19,003,849</u>
Accumulated benefit obligation	<u>\$ 100,471,061</u>	<u>\$ 103,856,612</u>		

Weighted-average assumptions

Discount rate	5.43%	4.88%	5.46%	5.00%
Rate of compensation increase	N/A	N/A	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	
	2024	2023	2024	2023
Service cost	\$ -	\$ -	\$ 661,549	\$ 628,284
Interest cost	4,705,873	4,376,982	824,413	863,154
Expected return on plan assets	(7,084,476)	(6,871,358)	(1,742,718)	(1,564,374)
Amortization of prior service cost	32,304	32,304	(1,035,420)	(1,035,420)
Amortization of net actuarial loss	(155,534)	-	(757,651)	(541,405)
Net periodic benefit cost	<u>\$ (2,501,833)</u>	<u>\$ (2,462,072)</u>	<u>\$ (2,049,827)</u>	<u>\$ (1,649,761)</u>

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions

Net loss (gain)	\$ (1,882,139)	\$ (1,707,640)	\$ (5,923,060)	\$ (2,751,062)
Amortizations:				
RPE	-	-	-	-
RPDE	155,534	-	-	-
RMP	-	-	1,793,071	1,576,825
Total Amortizations	<u>155,534</u>	<u>-</u>	<u>1,793,071</u>	<u>1,576,825</u>
Total recognized in net assets without donor restrictions	<u>\$ (1,726,605)</u>	<u>\$ (1,707,640)</u>	<u>\$ (4,129,989)</u>	<u>\$ (1,174,237)</u>
Total recognized in net periodic benefit cost and net assets without donor restrictions	<u>\$ (4,228,438)</u>	<u>\$ (4,169,712)</u>	<u>\$ (6,179,816)</u>	<u>\$ (2,823,998)</u>

Weighted-average assumptions

Discount rate	4.88%	4.33%	5.00%	4.50%
Expected long-term return on plan assets	5.89%	5.87%	7.25%	7.00%
Rate of compensation increase	0.00%	0.00%	N/A	N/A

Amortization of pension benefit prior service costs, transition obligations, and actuarial gains and losses in FY2025 are expected to be \$0, \$0 and (\$1,095,440), respectively. Amortization of medical benefit prior service costs and gains and losses in FY2025 are expected to be \$0.

Assumptions

The discount rate used for the RPE and RPDE plans is determined annually based on census information, the timing of future benefit payments, and yield curve data from the Mercer Yield Curve. Previously, yield curve data was derived 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 the Mercer Yield Curve, and rounding to five basis points. Previously, the average of the Mercer and FTSE Yield Curve was used in the calculation.

The expected long-term rate of return assumption represents the expected average rate of return on current and future funds invested to provide for benefit obligations. This assumption is determined based on the following factors: historical market returns, historical plan return data, anticipated long-term asset allocation and return of the plans and plan expenses. Draper recognizes differences between the expected return on assets and the actual return over the remaining service life of the applicable participants. This amount is included in net periodic pension cost as a component of the amortization of actuarial gains and losses and is expected to be (\$1,095,440) in FY2025.

Plan Assets

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

	PENSION BENEFITS		MEDICAL BENEFITS	
	2024	2023	2024	2023
Fair value of plan assets at beginning of year	\$ 127,064,63	\$ 125,105,546	\$ 24,264,799	\$ 22,623,958
Actual return on plan assets	5,808,662	4,095,977	2,428,789	1,987,202
Employer contributions	3,030,000	2,324,000	761,310	548,721
Plan participants' contributions	-	-	238,148	232,309
Benefits paid	(4,982,598)	(4,506,166)	(1,332,703)	(1,127,391)
Fair value adjustments	49,127	45,275	-	-
Fair value of plan assets at end of year	<u>\$ 130,969,823</u>	<u>\$ 127,064,632</u>	<u>\$ 26,360,343</u>	<u>\$ 24,264,799</u>

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

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

	RPE			RPDE			Total Pension
	Fair Value	Asset Allocation		Fair Value	Asset Allocation		
		Target	Actual		Target	Actual	
At June 28, 2024							
Equity	\$ 17,070,441	20%	19%	\$ 21,225,124	50%	51%	\$ 38,295,565
Fixed income	62,676,560	70%	70%	-	0%	0%	62,676,560
Growth fixed income	6,611,434	7%	7%	-	0%	0%	6,611,434
Real assets	2,614,019	3%	3%	-	0%	0%	2,614,019
Insurance contracts	728,554	0%	1%	20,005,614	50%	49%	20,734,168
Cash & cash equivalents	38,077	0%	0%	-	0%	0%	38,077
	<u>\$ 89,739,085</u>			<u>\$ 41,230,738</u>			<u>\$ 130,969,823</u>

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

The following tables present information about the pension plan assets that are measured at fair value on a recurring basis as of June 28, 2024 and June 30, 2023, respectively, and indicate the fair value hierarchy of the valuation techniques Draper utilized to determine such fair value:

	<u>June 28, 2024</u>	<u>Level 1 Assets</u>	<u>Level 2 Assets</u>	<u>Level 3 Assets</u>	<u>NAV as Practical Expedient</u>
Investment securities					
Cash & money equivalents	\$ 38,077	\$ 38,077	\$ -	\$ -	\$ -
Equity	38,295,565	-	-	-	38,295,565
Fixed income	62,676,560	-	-	-	62,676,560
Growth fixed income	6,611,434	-	-	-	6,611,434
Real assets	2,614,019	-	-	-	2,614,019
Insurance contracts	20,734,168	-	-	20,734,168	-
	<u>\$ 130,969,823</u>	<u>\$ 38,077</u>	<u>\$ -</u>	<u>\$ 20,734,168</u>	<u>\$ 110,197,578</u>

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

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	
	2024	2023
Balance at beginning of fiscal year	\$ 20,113,472	\$ 19,298,373
Purchases	4,604,481	4,389,840
Total gains	931,390	856,374
Benefits paid	(4,915,175)	(4,431,115)
Balance at end of fiscal year	<u>\$ 20,734,168</u>	<u>\$ 20,113,472</u>

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

	Fair Value	Asset Allocation			Fair Value	Asset Allocation	
		Target	Actual			Target	Actual
At June 28, 2024				At June 30, 2023			
Equity	\$ 5,321,301	56%	58%	Equity	\$ 15,957,731	64%	66%
Fixed income	4,926,673	20%	19%	Fixed income	4,453,551	20%	18%
Growth fixed income	4,091,198	16%	16%	Growth fixed income	1,850,548	8%	8%
Real assets	1,996,068	8%	7%	Real assets	1,977,854	8%	8%
Cash & cash equivalents	25,103	0%	0%	Cash & cash equivalents	25,115	0%	0%
	<u>\$ 26,360,343</u>				<u>\$ 24,264,799</u>		

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

	June 28, 2024	Level 1 Assets	Level 2 Assets	Level 3 Assets	NAV as Practical Expedient
Investment securities					
Cash & cash equivalents	\$ 25,103	\$ 25,103	\$ -	\$ -	\$ -
Equity	15,321,301	8,119,611	-	-	7,201,690
Fixed income	4,926,673	1,859,764	-	-	3,066,909
Growth fixed income	4,091,198	4,091,198	-	-	-
Real assets	1,996,068	-	-	-	1,996,068
Insurance contracts	-	-	-	-	-
	<u>\$ 26,360,343</u>	<u>\$ 14,095,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,264,667</u>

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

Contributions and Benefits

Draper anticipates making contributions of \$3,629,000 to the RPE plan in FY2025. There are no expected contributions in FY2025 for the RPDE and RMP plans.

Fiscal Year	Pension Benefits	Medical Benefits
2025	\$ 15,923,600	\$ 910,265
2026	5,919,753	957,294
2027	6,255,523	985,473
2028	6,391,432	1,013,176
2029	6,709,634	1,032,580
2030-2034	33,534,298	5,369,037

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

8. Lines of Credit

Draper has an unsecured \$75,000,000 line of credit at Bank of America Corporation (“BoA”) that is renewed annually. During the most recent renewal, the line of credit at BoA was increased from \$45,000,000 to \$75,000,000, effective May 17, 2024. Additionally, Draper has a \$25,000,000 line of credit, secured by investments, at Eastern Bank that was renewed on May 9, 2023 with a termination date of April 15, 2026. Draper had no outstanding balances on its lines of credit as of June 28, 2024 and June 30, 2023, respectively.

9. Notes Payable

On May 11, 2018, Draper entered into a capital equipment financing arrangement with Banc of America Leasing & Capital, LLC, a subsidiary of BoA, with a maximum borrowing limit of \$15,000,000.

| *Outstanding notes payable are secured by equipment and are summarized below as of June 28, 2024 and June 30, 2023.*

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2024</u>	<u>2023</u>
May, 2025	4.12%	\$ 924,647	\$ 1,894,378
June, 2025	4.09%	109,316	198,112
November, 2025	4.36%	525,980	878,212
October, 2026	2.65%	723,062	1,019,533
December, 2026	2.96%	1,431,277	1,974,816
		<u>\$ 3,714,282</u>	<u>\$ 5,965,051</u>

Interest paid on these notes was \$171,658 and \$253,567 in FY2024 and FY2023, respectively.

Draper borrowed \$0 in FY2024 and FY2023, 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 as of June 28, 2024 and June 30, 2023:*

	<u>2024</u>	<u>2023</u>
Outstanding bonds	\$ 90,505,000	\$ 93,655,000
Less: deferred financing costs	(579,524)	(630,443)
Total bonds payable	<u>\$ 89,925,476</u>	<u>\$ 93,024,557</u>

<u>2015 Bond Series</u>			<u>2018 Bond Series</u>		
<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Maturity Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Maturity Amount</u>
September, 2024	3.04%	\$ 3,240,000	September, 2023		\$ -
September, 2025	3.14%	3,340,000	September, 2024		-
September, 2026	3.24%	3,445,000	September, 2025		-
September, 2027	3.34%	3,555,000	September, 2026		-
September, 2028	3.44%	3,675,000	September, 2027		-
Thereafter	3.54% - 3.59%	7,735,000	Thereafter	4.19% - 4.39%	\$ 65,515,000
		<u>\$ 24,990,000</u>			<u>\$ 65,515,000</u>

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 FY2024 and FY2023, Draper recognized the following changes to the fair value of its conditional asset retirement obligations which is reflected in deferred revenue and other long-term liabilities:

	<u>2024</u>	<u>2023</u>
Fair value of liability at beginning of year	\$ 7,336,581	\$ 7,116,467
Liabilities settled	(21,474)	(31,809)
Accretion of fair value	259,715	251,923
Fair value of liability at end of year	<u>\$ 7,574,822</u>	<u>\$ 7,336,581</u>

In FY2007, Draper established a \$1,922,142 liability for environmental cleanup costs associated with soil contamination at the Bedford test facility under the requirements of ASC 410-30, *Asset Retirement and Environmental Obligations - Environmental Obligations*. Draper has compiled estimates of the cleanup costs under various scenarios and will update those estimates as conditions change in future periods. Due to the long-term nature of the remediation activities, Draper has discounted the expected future expenditures to the current period, using risk free rates which ranged from 4.33% to 5.09% applicable to the discount period. Draper’s recorded liability was \$2,468,293 and \$2,029,000 as of June 28, 2024 and June 30, 2023, respectively.

12. Leases

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

The office space and laboratory facility lease payments are subject to escalation for increases in real estate taxes and operating expenses. The exercise of lease renewal options is at management’s sole discretion and the lease right-of-use assets and liabilities reflect only the options management is reasonably certain that it will exercise. Lease expense is recognized on a straight-line basis over the lease term. Certain equipment is also rented on a short-term basis and charged to contracts. Total rent paid under Topic 842 was \$3,325,578 and \$2,907,897 in FY2024 and FY2023, respectively. The current portion of lease liabilities as of June 28, 2024 and June 30, 2023, \$3,167,184 and \$2,483,485, respectively, is included in other accrued expenses in the statement of financial position. The long-term portion of lease liabilities as of June 28, 2024 and June 30, 2023, \$15,259,169 and \$12,549,317, is included in operating lease liabilities, long-term.

Minimum annual rental commitments under such leases (subject to certain escalation provisions) as of June 28, 2024 are as follows:

<u>Fiscal Year</u>	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2025	\$ 3,904,710	\$ 27,585	\$ 3,932,295
2026	3,922,477	5,546	3,928,023
2027	3,516,244	-	3,516,244
2028	2,871,168	-	2,871,168
2029	2,877,743	-	2,877,743
Thereafter	4,037,255	-	4,037,255
	<u>\$ 21,129,597</u>	<u>\$ 33,131</u>	<u>\$ 21,162,728</u>

Supplemental balance sheet information related to operating leases was as follows as of June 28, 2024:

Weighted average remaining lease term (in years)	6.17
Weighted average discount rate	4.52%

Draper maintains a 48% ownership in One Hampshire at Kendall Square Condominium (“Hill Building”) and was a lessor to a tenant leasing three units. The lease was terminated in April 2024. Rental income, including parking revenue, included within other non-operating income, net in the statements of activities was \$3,969,984 and \$5,779,025 for FY2024 and FY2023, respectively. In addition, Draper incurred \$1,208,671 and \$1,033,215 for its share of common area maintenance costs for FY2024 and FY2023, 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.

13. Schedule of Functional Expenses

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

| *Functional expenses for FY2024 and FY2023 are summarized in the below table:*

June 28, 2024

<u>Natural Classification</u>	<u>Sponsored</u>	<u>Non-Sponsored</u>	<u>Management and General</u>	<u>Total</u>
Subcontracts	\$ 182,523,844	\$ -	\$ -	\$ 182,523,844
Salaries and wages	246,375,098	15,648,665	29,192,627	291,216,390
Employee benefits and vacations	116,291,439	7,230,134	7,031,931	130,553,504
Materials, services and rentals	85,996,725	4,905,404	6,552,602	97,454,731
Depreciation and amortization	26,779,835	1,658,455	1,624,855	30,063,145
Other; principally travel and equipment	81,353,701	4,732,551	8,003,131	94,089,383
Total	<u>\$ 739,320,642</u>	<u>\$ 34,175,209</u>	<u>\$ 52,405,146</u>	<u>\$ 825,900,997</u>

June 30, 2023

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

14. Results of Operations

Total operating revenue is \$853,776,020 in FY2024 and \$754,200,552 in FY2023. Most operating revenue is with the U.S. government and related agencies. Contract change orders are included in the operating revenue total. Pending awards or change orders total \$3,248,621 and \$20,000 at June 28, 2024 and June 30, 2023, respectively.

Direct expenses are \$594,700,971 and \$532,155,416 in FY2024 and FY2023, respectively. Indirect costs in FY2024 and FY2023 are \$231,200,026 and \$194,453,663, respectively.

15. Subsequent Events

Draper has performed an evaluation of subsequent events through September 20, 2024, which is the date the financial statements were available to be issued. There are no events that occurred after June 28, 2024 that have a material impact on Draper's financial statements.



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AND CORPORATION
MEMBERS & OFFICERS

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Audit Committee, Chair

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** David R. Shedd (as Board Chair)
and Jerry M. Wohletz (as President
/ CEO) participate in all committee
meetings.*

OFFICERS OF THE CORPORATION

Carrie George
Vice President, Treasurer
& Chief Financial Officer

Mary Kim
Vice President, Secretary
& General Counsel

Marjorie V. Quant
Chief Operating Officer

Jerry M. Wohletz
President & Chief
Executive Officer

MEMBERS OF THE CORPORATION

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George A. Ashur

Terry J. Benedict

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St. Petersburg Campus

Advanced Packaging Facility

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St. Petersburg Campus

Rapid Prototyping Center

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Strategic Enhanced Ground Test Facility

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Houston Campus

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