

DRAPER®

2025
CALENDAR YEAR

STUB ANNUAL
REPORT



NXT IN ACTION

To safeguard our nation's security and prosperity, solutions must outmatch the threats ahead. Draper is committed to meeting that imperative, guided by our ambitious and ongoing transformation: a journey we call Draper NXT™.

Rooted in our legacy as an innovation laboratory, Draper NXT guides every decision we make. It ensures we deploy our ingenuity where it best serves our customers, strengthens accountability across the organization, and builds a more agile, resilient enterprise.

As we celebrate three and a half years of progress under this initiative, our customers are already benefitting from Draper's stronger foundation, sharpened focus, and increasing agility. And as we look ahead, NXT in action signals our unwavering commitment to transform with purpose, optimize with discipline, and engineer solutions to last.

DRAPER
NXT™



2025
CALENDAR YEAR
STUB ANNUAL
REPORT

Draper (CY'25-STUB) Annual Report | July - Dec. 2025

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LETTERS

FROM LEADERSHIP

A MESSAGE FROM CHAIRMAN OF THE BOARD

As Chair of Draper's Board of Directors, I am deeply honored to serve an organization whose work is critical to our nation's security and prosperity. I am continually humbled by the technical excellence, innovation, and unwavering commitment demonstrated by our employees and partners. These qualities reinforce Draper's legacy as an innovation laboratory and underpin the progress we achieved in this period.

In 2025, our nation continued to experience dramatic shifts in the threats we face. As a result, our long-standing customers placed renewed emphasis on rapid delivery and decisive execution. Draper responded with urgency and focus, demonstrating that our people, our technologies, and our commitment are equal to the moment.

I want to express my sincere appreciation to our employees and partners for the resilience and professionalism demonstrated throughout this period of transition. Your effort, energy, and dedication were evident in the consistently positive feedback we received from our clients and collaborators.

At a time when the nation's need for Draper's capabilities has never been greater, you delivered.

Draper continues to strengthen our ability to provide exquisite engineering solutions for our customers and the country. We advanced critical technologies across our portfolio, invested in our people and infrastructure, and sharpened our focus on delivering capabilities at the speed national security now demands. These achievements underscore the importance of the Draper NXT transformation.

As we continue this journey and build momentum, I am confident in our ability to meet the nation's needs with speed, precision, and purpose.

AMR A. ELSAWY
CHAIRMAN OF THE BOARD





JERRY M. WOHLTZ, Ph.D

PRESIDENT AND CHIEF EXECUTIVE OFFICER

A MESSAGE FROM DRAPER PRESIDENT & CEO

As we reflect on Draper's calendar year 2025 stub period, I am deeply proud of the many critical milestones achieved to professionalize our innovation laboratory. This period was marked by rapid changes, and while it was challenging, we stayed true to our Draper NXT strategy, launching a modern accounting structure and rate pools and exceeding \$1B in mission impact.

Since the beginning of my tenure in 2022, Draper's revenue has grown by 55 percent and our staff by 44 percent. This trend continued during the stub period, even as we controlled our sell price, delivered stable cumulative operating income, and increased investments in technology, infrastructure, and people.

In keeping with our reputation, Draper's workforce demonstrated extraordinary dedication to customer needs, advancing our transformation and expanding the capabilities and skills required to further scale our impact. As always, our focus on engineering excellence ensures that Draper remains a trusted partner for the nation's most consequential challenges. These efforts, combined with our strengthened fiscal posture, provide the flexibility required to anticipate and meet evolving customer needs.

As Draper looks ahead, we do so with clarity and confidence. We are poised to complete what I call the Transformation and Rationalization phase of Draper NXT, finalizing modernizations to our organizational structure, policies, business systems, training programs, and facilities.

Our commitment to national security remains unwavering, and the strategic choices made during this six-month transition have expanded our capacity to anticipate and deliver the innovative solutions our nation needs.

To our employees, customers, and partners: thank you for your trust, your collaboration, and your steadfast dedication. Together, we are building the next chapter of Draper's impact — one defined by sustainable growth and accelerated innovation.



CORPORATE

UPDATE

Draper is on a journey to modernize and deliver for our customers — a transformation initiative we call Draper NXT.

After just three and half years into this journey, already we are seeing progress. One key change is our transition to a calendar-based fiscal year for 2026. This report reflects milestones and momentum achieved from July-December 2025 (Draper's calendar year 2025 stub period).

We saw our mission impact grow considerably, as reflected in increases since the launch of Draper NXT totaling 55 percent in revenue, 44 percent in headcount, 22 percent in square footage, and 172 percent in investments. These results demonstrate Draper's commitment to growing capacity, deepening customer trust, and preparing our innovation laboratory for the next era of national security challenges.

Scaling mission impact

While modernizing our business, Draper continued to scale our capabilities to drive mission impact for customers. We achieved strong financial performance during the stub period, with \$1 billion in revenue annualized. Our stable operating income, well-controlled sell price, and other metrics reflect the success of our strategy, as well as our increased ability to deliver for customers. Equally important, our customer satisfaction scores and on-time delivery metrics exceeded our targets, stabilizing at 4.2 (on a scale of 5) and 97.5 percent.

During this six-month stub period, we completed major infrastructure upgrades across our campuses to accommodate our growing workforce, reduced risk across our portfolio, and allocated additional space to strategic deterrence programs. In December 2025, our Clearfield, Utah, facility was declared ready for occupancy, providing flexible space for engineering and production operations.

At the same time, our IMPACT Center at the University of Massachusetts Lowell (UMass Lowell) entered the detailed design phase, defining future capacity for classified microelectronics fabrication. Additionally, our Secure Enhanced Ground Test Facility (SEGTF) on Florida's Space Coast is on target for a November 2026 ribbon cutting, with completion expected the following summer. Designed to provide end-to-end environmental and dynamic stress screening, SEGTF is a significant asset for strategic deterrence, defense, and space-based national security missions.

Growing our leaders

Workforce strength is a pillar of Draper NXT. We have grown to nearly 2,600 employees — bringing us more than halfway to our goal of 4,000 by 2030. During the stub period, we hired 224 new staff members and 36 student interns and co-ops, 21 of whom became full-time employees. We expanded veteran hiring through a new partnership with FourBlock, an organization focused on career transitions for military service members, and we earned silver status as a Military Friendly® Employer. Through our partnership with the Department of War's (DOW) Skillbridge, we brought seven active-duty service members onboard, enabling them to gain valuable experience and share operational insights to benefit our military customers. To enhance all recruiting efforts, Draper launched a candidate engagement hub that offers a modern experience for all applicants.

In parallel, Draper invested in growth opportunities for our employees. Our mentorship program exceeded 500 participants, and we completed our Executive Leadership Development Program and planning for our

“WHAT MAKES DRAPER SPECIAL IS NOT JUST WHAT WE DO. IT IS THE PEOPLE WHO WORK HERE AND THE DEDICATION THEY BRING TO THE MISSION EVERY DAY.”



Heidi McAllister

For more than 40 years, Heidi McAllister has helped Draper adapt and evolve by strengthening the internal systems that support mission delivery.

McAllister began her career in configuration management, supporting Draper's work with the U.S. Air Force. Today, she leads the Collaborative Services Group, which supports employees across the enterprise through internal IT services, collaboration platforms such as Microsoft Teams and SharePoint, and automated workflow solutions. Her team standardizes project execution processes, manages internal ticketing systems, and provides program metrics that improve visibility and reduce administrative burden for Draper teams.

As Draper continues its enterprise transformation, McAllister takes pride in helping colleagues navigate change and implement practical solutions that accelerate delivery for internal and external customers.

“What makes Draper special is not just what we do,” McAllister said. “It is the people who work here and the dedication they bring to the mission every day.”



Program Management Academy. These programs support succession planning and ensure all customer programs adhere to professional standards throughout their lifecycle.

Our steady 95 percent retention rate, which is well above industry norms, reflects Draper's deliberate investments in the employee experience, including our long-standing Employee Resource Group program, which saw a 20 percent increase in participation across the organization. During the stub period, we launched the Employee Activities Committee to bring a mission of life beyond work. Through our Corporate and Community Engagement (CCE) program, Draper contributed \$356,336 and our employees tallied 1,600 volunteer hours for charitable organizations, including Habitat for Humanity, Dress for Success, Toys for Tots, Run to Home Base, Folds of Honor, and the Greater Boston Food Bank. Draper's sustained commitment to strategic CCE directly contributes to the overall health of our organization, strengthening our market position and nurturing internal talent pipelines.

Pioneering mission-driven innovations

The stub period saw significant modernization of our processes for selecting independent research and development (IRAD) and capital investment opportunities. With the establishment of a New Business Council, Draper centralized strategic reinvestment decisions to ensure full alignment with customer missions and maximize near- and long-term value.

We focused our technology investments on national security priorities, and a key indicator of success is external contract research and development (CRAD) funding, which augments IRAD investments in emerging technologies. During the stub period, we achieved the Draper NXT tar-

get of reinvesting 15 percent of revenue and exceeded our CRAD target by \$20 million, for a total of \$98 million from defense and civilian agencies and national laboratories.

Given the ambitious goals defined by our strategy, Draper seizes every opportunity to accelerate innovation. During the stub period, we developed and began beta testing DraperGPT, an internal solution to harness the power of artificial intelligence (AI) while safeguarding data and customer needs. Once fully operational, our AI team will leverage DraperGPT to increase efficiency and productivity across our research and development, manufacturing, and administrative functions.

Enhancing corporate governance

Modern corporate governance ensures that Draper operates with transparency, accountability, and disciplined risk management, aligning every decision with our values and strategic objectives. During the stub period, we implemented key initiatives defined during the prior fiscal year, including our operational framework and lifecycle management approach. We established processes to ensure continuity for our board of governors and began unifying nearly 100 policies that define expectations for employees, partners, and suppliers. These efforts are key to maintaining customer confidence in Draper's ability to execute programs.

In October 2025, Draper successfully completed the AS9100D certification process, a testament to our ability to deliver high-reliability engineering. The certification enables continued support for national security programs and prepares us to adopt Advanced Product Quality Planning, a suite of techniques that reduce the risk and cost of production at scale. We also completed a Cyber Operational Readiness Assessment audit conducted by the Defense Information Systems Agency, received a superior security rating from the Defense Counterintelligence and Security Agency for our Huntsville campus, and a superior rating following a U.S. Space Force security inspection.

Deepening our role as a trusted innovation partner

Guided by Draper NXT, we continue to shape the next generation of engineers through the Draper Scholars program. We welcomed 155 Draper Scholars from 17 top engineering colleges and universities to support key customer programs.

In August, Space Kinetic became a DraperSPARX™ partner, giving the start-up access to our engineering expertise and infrastructure to advance its fuel-efficient system for satellite payload deployment — a capability with significant potential for national defense missions.

We also invested in our supplier base by reimagining our annual summit to bolster suppliers' understanding of strategic deterrence missions, enabling Draper to better protect program costs and schedules and ensure our suppliers are ready for customers' emerging needs.

OUR NXT HORIZON

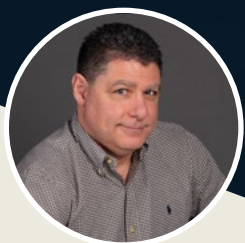
Looking ahead, Draper will continue to measure every decision against the evolving needs of our customers, ensuring our strategy remains tightly aligned with emerging missions and future threats.

We will expand strategic reinvestments in the coming year, broadening CRAD across all business areas, doubling our IRAD budget, and dedicating a portion of funding to early-stage technologies to help shape the next generation of national security capabilities. As the SEGTF, IMPACT Center, and Hill Air Force Base campus complete construction milestones, we anticipate robust recruiting campaigns to grow capabilities closer to our customers.

As always, Draper will continue to deepen collaboration with federal partners, industry, and suppliers and strengthen relationships with our customers, adapting our approach as their missions evolve. Above all, we will continue to invest in people, technology, and infrastructure to anticipate future operational demands, enhance warfighter readiness, and safeguard the nation for decades to come.

ENGINEERING TECHNOLOGY

“...WHAT’S BEEN MOST REWARDING IS WORKING WITH CUSTOMERS TO UNDERSTAND THEIR HARDEST PROBLEMS AND HELPING BRING THOSE SOLUTIONS TO LIFE...”



Dino DiBiasco

For more than three decades, Dino DiBiasco has built a career at Draper defined by technical leadership and a commitment to solving complex engineering challenges.

DiBiasco joined Draper in 1989 as a co-op student and has since built a career spanning mission software, autonomy, and systems integration across space and undersea domains. His work has included control systems and simulation software for autonomous underwater vehicles, enabling reliable, long-endurance missions that help protect warfighters and advance undersea operations.

Today, DiBiasco leads engineering efforts across a diverse portfolio of technologies, supporting mission-critical programs.

“Throughout my career, what’s been most rewarding is working with customers to understand their hardest problems and helping bring those solutions to life,” DiBiasco said. “From concept through deployment, seeing that impact in the field is what makes this work meaningful.”

During the stub period, technical staff across our Engineering organization executed \$16M in IRAD with a focus on key inertial technologies, clocks, processors, and peripherals to further advance our guidance, navigation and control (GNC) and positioning, navigation and timing (PNT) offerings, as well as critical packaging and advanced processing technologies to support work in advanced micro-electronics. At the same time, we captured \$98M in new CRAD programs.

Under our Draper NXT framework, all development efforts — including IRAD, CRAD, and university collaborations through the Draper Scholars Program — are strategically aligned, ensuring that every innovation strengthens the mission capabilities our nation depends on.

Assured PNT, precision sensors, and quantum technology

Draper continues to advance our portfolio of technologies that provide assured position, navigation, and timing (APNT) in contested environments. During the stub period, flight tests demonstrated the readiness of our Skymark™ celestial navigation system for integration into customer platforms, while also advancing our vision-aided navigation and signals-of-opportunity technologies, paving the way to expand mission readiness across a wide variety of host platforms.

We advanced key precision sensor technologies, focusing on radiation hardening, higher performance, and reduced size, weight, and power (SWaP), as well as leap-ahead performance gains in micro-electromechanical systems (MEMS) capabilities, including wedge



whole-angle gyros and accelerometers with expanded dynamic range. We also further developed our optically pumped magnetometer and complementary, end-to-end map-matching capabilities for magnetic anomalies. In a July 2025 flight test, Draper's magnetic navigation technology demonstrated the ability to provide absolute position updates in real time, establishing a new sensing modality within our APNT solution set.

To realize the promise of quantum-based inertial sensors, we are exploring hybrid systems that leverage high-dynamic range MEMS and cold-atom interferometry to produce higher-precision, fieldable, lower-SWaP, and mission-hardened systems. We also continue to push the known limits in precision timing, with optical atomic clocks that are 10,000 times more precise than current technologies.

Advanced packaging and hardened microelectronics

Through a mix of targeted CRAD and IRAD efforts, Draper is developing a chip encryption technology that mitigates the cost and security vulnerabilities associated with commercial chip products. In September 2025, our prototype technology successfully passed the Advanced Encryption Standard validation and entered the evaluation testing phase. When complete, this technology will improve the security and cost-efficiency of a wide range of Draper technologies and customer programs. We also further advanced our direct-bond interconnect capabilities for securely packaged processors, field-programmable gate arrays, and other electronic components.

Space systems technology

Draper continues to advance our nation's resilient space operational capabilities through innovations in radioisotope power system (RPS) designs. One example is a power system designed for sustained maneuvering in high-radiation environments, with substantial efficiency gains over current state-of-the-art thermoelectric conversion systems. The unique capabilities of Draper's RPS will open the envelope for high-value concepts of operations for national security missions.

Biotechnology systems

In addition to advancing our PREDICT96™ platform, Draper is developing multiple mission-critical biotechnologies through CRAD, IRAD, and Draper Scholars projects. Our primary focus is strategic biodeterrence, including technologies for detecting and assessing chemical, biological, radiological, nuclear, and high-yield explosive threats (CBRNE).

During the stub period, we launched a new effort to explore opportunities to merge conventional and biological microfabrication in service of national security missions. By mimicking biological electrochemical structures at micro length scales, this approach aims to power miniature systems such as edge AI, Internet-of-Things devices, and micro robots with far higher energy densities than current technologies — significantly advancing the next generation of hybrid biotech microelectronics systems.

OUR NXT HORIZON

Fueled by Draper NXT, our Engineering teams are anticipating the national security challenges of tomorrow — and the solutions our customers need to meet them.

Key areas of focus for the coming year include advanced modeling and simulation to support trade space analyses, additive manufacturing, software-defined systems, and AI-enhanced software development.

Through these and other efforts, Draper is committed to equipping our customers with the technologies demanded by their most essential national security missions.

OPERATIONS

FUNCTION

“...YOU’RE SURROUNDED BY TEAMS WILLING TO SHARE THEIR EXPERTISE AND SUPPORT EACH OTHER. THAT’S WHAT MAKES IT POSSIBLE TO SOLVE HARD PROBLEMS AND DELIVER REAL IMPACT...”



Nicole Mueller

When Nicole Mueller joined Draper in 2008, the work in microfabrication focused on early-stage R&D. Today, she plays a key role in turning innovations into technologies that can be produced, scaled, and delivered to customers.

As a director, Mueller leads a team that supports a wide range of programs focused on national security missions. Operating in a high-mix, low-volume environment, her team develops and produces diverse technologies at all stages of maturity.

For Mueller, seeing a device progress from idea to impact makes the work meaningful.

“What’s most rewarding is the people,” Mueller said. “You’re surrounded by teams willing to share their expertise and support each other. That’s what makes it possible to solve hard problems and deliver real impact.”

Driven by customer demands and the nation’s strategic need for trusted providers of world-class, precision technical solutions, Draper is expanding our in-house production capacity.

This investment is essential to our strategic vision. By tightly integrating engineering expertise with advanced production capabilities, we are uniquely positioned to fulfill the nation’s needs.

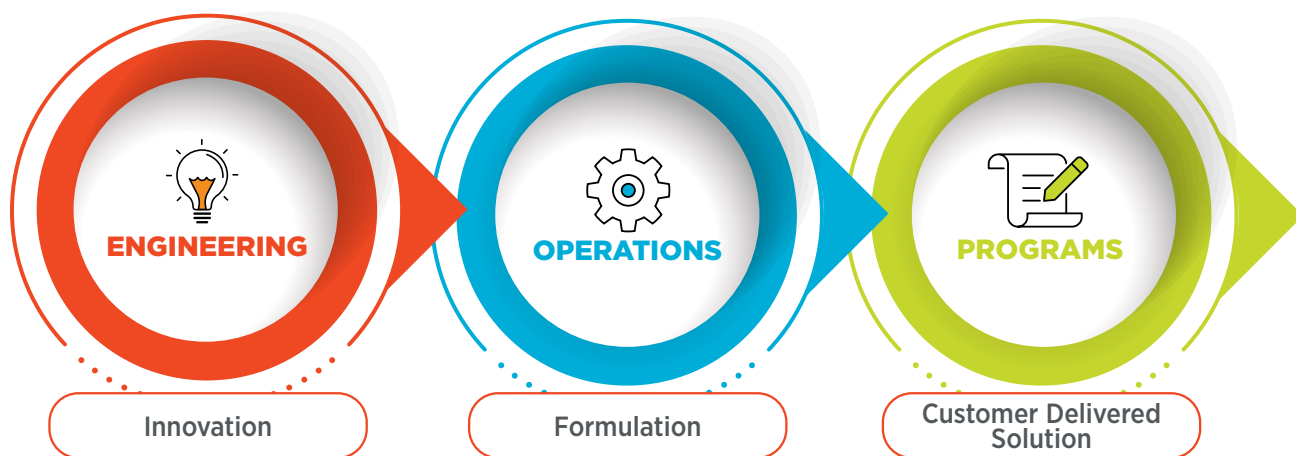
With a dedicated Operations Function overseeing production, Draper is positioned to scale capacity while sustaining the high-quality execution required by the most sensitive national security missions.

Becoming a trusted supplier for national security missions

During our stub period, we established all functional aspects of our Operations division, a standalone organization structured to support customers across Draper’s portfolio.

Led by a team of seasoned operations leaders charged with bringing industry best practices to Draper, the organization assumed responsibility for five production facilities that provide advanced packaging, micro-machining, MEMS microfabrication, circuit card assembly, and traditional packaging and assembly. This includes managing production under two programs of record that support strategic deterrence missions — efforts that have already demonstrated faster cycle times, increased yield, and improved on-time delivery.

In parallel, Operations established two flexible production spaces within existing facilities, expanding our ability to meet the needs of existing and new customers. This expansion includes a Defense Counterintelligence and Security Agency-approved ISO-8 cleanroom within our Advanced Packaging Facility, enabling new



capabilities, greater precision, and enhanced compliance to support key defense customers.

Optimizing production execution

To ensure consistency and efficiency across all Draper production facilities, Operations instituted a common Manufacturing Execution System software approach. This system coordinates and sequences production, providing real-time visibility within each fabrication facility to reinforce process discipline, reduce errors, and enable accurate delivery predictions.

Our Operations team also established key functions to ensure a cost-efficient transition of Draper-designed technologies from development to production. This includes a New Product Introduction team to accelerate the move from prototype to production, and a team of integration engineers who translate program needs into factory processes and flows, enabling efficient product introductions and accelerated execution.

Together, these modernizations position Draper to deliver high-performance components and systems with greater speed, reliability, and production discipline, ensuring that our customers receive mission-ready solutions at scale.

Standardizing resource planning and metrics

During the stub period, Operations assigned to each production facility its own dedicated leadership, planners, and line management — as well as process, equipment, and integration engineering support — to ensure clear responsibility for teams, partners, and customers. By eliminating matrixed resources, Draper provides our customers with the advantages of a predictable, accountable, and responsive production partner.

We also centralized materials management to optimize allocation across fabrication facilities, strengthen quality and traceability, and improve cost-effectiveness and on-time delivery.

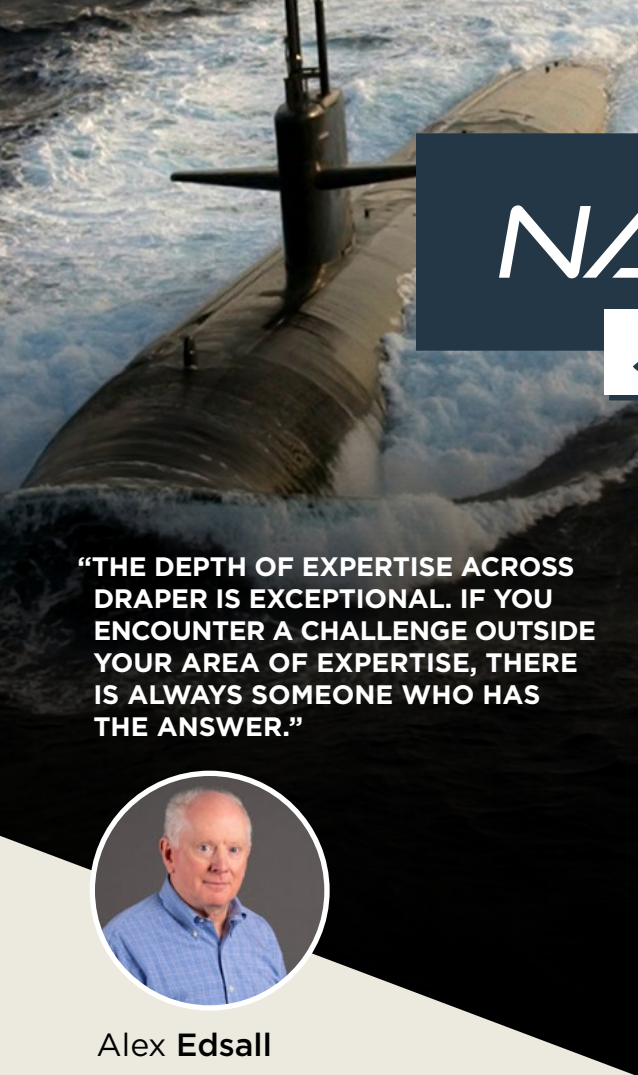
Finally, to monitor and elevate performance, Operations established standardized performance scorecards. By tracking critical process, quality, and schedule metrics, Draper is able to accurately characterize — and continuously improve — our ability to support customer missions.

OUR NXT HORIZON

In the coming year, Draper will continue expanding production capacity while driving greater efficiency across our operations. Currently staffed at more than 219 employees, Operations aims to grow by 20 percent to achieve our target capacity. At the same time, planned initiatives to minimize waste and production costs will be key to extending value to our customers.

In late 2026, the division will assume responsibility for the SEGTF in Titusville, Florida, as it completes construction and moves into the equipment phase. Additional production facilities, including the IMPACT Center at the UMass Lowell campus and our future campus at Hill Air Force Base, will come online in subsequent years.

Ultimately, investments in Operations serve the goal we share with our customers: accelerating the transition of mission-critical technologies from laboratory innovation to the warfighter.



NAVY

STRATEGIC SYSTEMS

“THE DEPTH OF EXPERTISE ACROSS DRAPER IS EXCEPTIONAL. IF YOU ENCOUNTER A CHALLENGE OUTSIDE YOUR AREA OF EXPERTISE, THERE IS ALWAYS SOMEONE WHO HAS THE ANSWER.”



Alex Edsall

“At Draper, there’s a real commitment to technical excellence and delivering the right solutions without sacrificing performance or reliability.”

For more than four decades, that culture has defined Alex Edsall’s work at Draper. His career has spanned robotics and advanced manufacturing, autonomous and manned undersea systems, fault-tolerant computers, and advanced navigation technologies.

Today, Edsall serves as Chief Engineer for Navy Strategic Systems, where he guides the work of 800 engineers. His role spans both program execution and long-term planning, ensuring teams have the technical depth and resources needed to deliver complex, mission-critical systems. He brings together expertise across disciplines, from hardware to software, to develop integrated solutions that perform reliably in demanding environments.

“The depth of expertise across Draper is exceptional. If you encounter a challenge outside your area of expertise, there is always someone who has the answer.”

The United States relies on land-, air-, and sea-based systems that together form a unified strategic deterrent. As a cornerstone of national defense, the Nuclear Triad helps preserve stability by discouraging aggression and reducing the risk of nuclear conflict. For more than 70 years, Draper has supported the sea-based leg of the Triad, sustaining the credibility and reliability of the generations of submarine-launched ballistic missile program through precision engineering and a deep commitment to the U.S. Navy. Our GNC technologies sit at the core of every missile in today’s Trident II fleet.

During our stub period, we accelerated the advancement of these systems, working closely with the U.S. Navy, Lockheed Martin, and other partners to embed the most advanced designs and technologies into a guidance architecture capable of meeting rigorous strategic requirements.

Modernizing the nation’s fleet of Trident II missiles

We have completed the fleet-wide conversion of all Ohio-class submarines to the new MK6 MOD1 guidance system — designed and developed by Draper. This achievement culminates a multi-decade effort to replace aging components in the original MK6 system with modern modular architecture, state-of-the-art radiation-hardened electronics, and strategic sensors. The upgrade supports Navy efforts extending the service life of the Trident II



missile fleet through 2042. Draper's contribution preserves uninterrupted operational readiness and enables the rapid fielding of additional mission-critical capabilities. With a total of 197 successful flight tests to date, the Trident II D5 continues to demonstrate exceptional engineering precision and reliability.

The stub period also marked a critical milestone in Draper's development of the boost guidance system supporting the Navy's next-generation Trident D5 Life-Extension 2 (D5LE2). In October, Draper completed the System Requirements Review on the path of development for the next generation Guidance System. This effort will sustain Draper's contributions to the Navy's strategic deterrent for decades.

Each generation of Draper's guidance system has featured design enhancements to improve range, accuracy, affordability, or other mission requirements. For this generation, our challenge is to deliver the flexibility and adaptability required to maintain a credible deterrent in a rapidly evolving geopolitical and threat environment.

The D5LE2 system is slated for deployment in the late 2030s.

Guiding the nation's first sea-based hypersonic missile

The rapid development and demonstration of a hypersonic missile is essential to deter and, when necessary, defeat emerging threats. Hypersonic systems expand the range, accuracy, lethality, and survivability of U.S. conventional strike capabilities, augmenting the nation's strategic arsenal.

In 2025, the Navy completed the first end-to-end flight test of the Conventional Prompt Strike (CPS) program, demonstrating exquisite performance after launch from the Cape Canaveral Space Force Station. This milestone positions the program for continued development and testing, ultimately fielding CPS capabilities aboard Virginia-class submarines and Zumwalt-class destroyers and

adapting it for U.S. Army platforms. Draper's contributions include providing guidance and navigation capabilities, along with unique solutions to ensure system performance in contested environments.

OUR NXT HORIZON

The strategic threat landscape facing the U.S. is evolving rapidly, and the nation must be prepared to operate and prevail in an AI-enabled, hyper-connected environment. Draper NXT™ sharpens our focus on national security missions and amplifies our commitment to delivering decisive capabilities. To expedite delivery of solutions that counter imminent threats, Draper is investing in critical skills, infrastructure, and technologies.

Through our GNC Academy, we continue to equip our workforce for this specialized mission, with a cohort of 75 graduates during the stub period. In the coming year, we will complete construction of the SEGTF. Once operational, SEGTF will dramatically accelerate our ability to prototype and test innovative designs for Navy programs. We are also exploring ways to embed AI to enhance resilience and deliver capabilities at unprecedented speed to meet the unique demands of Navy applications.

As with all our efforts, we will continue to seize every opportunity to deepen our longstanding partnership with our Navy customer and forge new partnerships with industry contributors supporting mission-critical systems across the sea-based leg of our nation's nuclear triad.

AIR FORCE AND MISSILE DEFENSE STRATEGIC SYSTEMS

"...BEING PART OF THE WORK THAT MADE THAT SYSTEM PERFORM AS DESIGNED WAS ONE OF THE HIGHLIGHTS OF MY CAREER."



John Johnson

John Johnson joined Draper in 1972, beginning a career that would span more than five decades advancing guidance systems that support the nation's strategic deterrence.

Across his career, Johnson has contributed to critical national security programs, including test and evaluation of the inertial measurement unit that enabled the Peacekeeper missile's remarkable targeting accuracy.

"Seeing that level of accuracy come to fruition on the Peacekeeper missile system was incredible," Johnson said. "Being part of the work that made that system perform as designed was one of the highlights of my career."

Today, Johnson serves as Technical Director of Intercontinental Ballistic Missile (ICBM) Programs, supporting sustainment of the Minuteman missile guidance system and ensuring reliable performance decades after its original design.

For decades, Draper has advanced the GNC capabilities that underpin the nation's strategic deterrent. During our stub period, we accelerated progress on next-generation missile defense systems and deepened cross-service collaboration on critical modernization programs. Guided by our Draper NXT strategy, we invested in the people, infrastructure, and capabilities required to deliver and sustain the land-based strategic systems of the future.

Driving capability for homeland defense

The Next Generation Interceptor (NGI) is the Missile Defense Agency's (MDA) future system for protecting the nation against evolving long-range ballistic missile threats. As a critical industry partner, Draper provides precision guidance technologies designed to enable NGI to perform reliably under the most demanding conditions.

In support of critical NGI program milestones, Draper continues to mature the radiation-hardened inertial measurement unit (IMU) that will enable the missile to navigate and adjust its trajectory. As development continues, our Engineering and Operations teams are preparing for full-rate production in 2028.

Our stub period also focused on targeted investments — including talent, infrastructure, and technologies — to enable Draper to increase the scale and pace of delivery for multiple components critical to the Golden Dome for America (GD4A) system of systems. These investments position Draper to serve MDA as a trusted partner capable of delivering at the pace and scale required for homeland defense.



Modernizing the U.S. Air Force ICBM fleet

In partnership with Boeing and the Air Force Nuclear Weapons Center, Draper continues to sustain our legacy accelerometer for the Minuteman III (MMIII) ICBM. Our engineers conduct rigorous testing to replicate and characterize system behavior, generating insights that help extend the fleet's lifespan and inform future modernization efforts. In parallel, Draper engineers are developing concepts to further extend the MMIII service life and reduce risks associated with parts availability, with demonstrations planned for 2027.

In support of the U.S. Air Force Sentinel Program, Draper is applying decades of strategic GNC experience to accelerate development and testing. We executed a joint Systems Requirement Review with the Navy and the Air Force for critical strategic radiation-hardened electronics — spearheading efforts to optimize internal and government investment across services and strengthen the foundation for future strategic systems.

This collaboration reflects Draper's ability to adapt best practices developed through decades of work in strategic systems to meet the unique needs of the Sentinel Program.

OUR NXT HORIZON

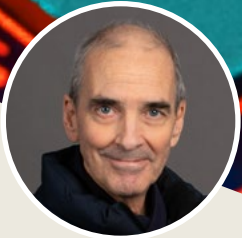
In the coming year, Draper will continue preparations for full-rate production of the NGI IMU, ensuring performance, cost efficiency, and on-time delivery for MDA. We are also expanding capabilities that support all strategic customers — growing our specialized workforce, increasing production capacity, and enhancing our national footprint.

Our Huntsville, Alabama, campus, adjacent to Redstone Arsenal, will play a growing role in strategic programs. Construction continues at our new facility at Hill AFB. Scheduled for completion in 2026, the Utah campus will add 30,000 square feet of space for unclassified and classified work.

Across these efforts, our Draper NXT strategy keeps us aligned with the evolving needs of our Air Force and MDA partners. By accelerating innovation and strengthening our production and engineering capabilities, we are delivering technologies that safeguard the warfighter and advance the next generation of the land-based leg of the nation's nuclear triad.

ELECTRONIC SYSTEMS

"WE'RE BUILDING RELIABLE TECHNOLOGY FOR NATIONAL SECURITY AND MAKING SURE WE HAVE THE RIGHT FOCUS TO KEEP DOING SO FOR ANOTHER 40 YEARS."



Joel Parry

As autonomous systems play an expanding role in national defense, the need for long-endurance capabilities has never been greater. That mission is what first drew Joel Parry to Draper more than four decades ago.

Parry joined Draper in 1984 as a naval architect and ship designer. His early career was defined by rapid innovation, including serving as mechanical technical director for a high-priority national security program that delivered 30-foot unmanned undersea vehicles (UUVs) in less than two years.

Currently, Parry leads the Undersea Warfare business area within Electronic Systems. His team develops the mission-level autonomy, modeling, and simulation capabilities that allow unmanned systems to operate effectively for long durations with limited communications. Under his leadership, Draper has developed software architectures that has become a benchmark for reliability in long-endurance UUV missions.

As Draper advances its NXT enterprise transformation, Parry sees the impact of a more refined, strategy-driven approach across the organization.

"Draper has always been about solving hard problems, and this transformation is helping us do that with more discipline," Parry said. "We're building reliable technology for national security and making sure we have the right focus to keep doing so for another 40 years."

Draper develops and deploys specialized micro-electronics for defense and intelligence missions that face complex, hostile environments. Our customers rely on us to anticipate future mission needs, ensuring our solutions are ready for use well in advance. By bridging the gap between advanced research and field-ready systems, we help the U.S. maintain a persistent and pervasive global posture.

Providing trusted specialized microelectronics

Revitalization of the U.S. microelectronics ecosystem is critical to national security. In support of this priority, Draper leads several efforts in collaboration with defense and intelligence customers and commercial industry partners.

During the stub period, we were awarded nearly \$500 million in sole-source contracts for multi-year microelectronics programs. This demonstrates our customers' confidence in our ability to deliver innovative, fieldable solutions and to support enduring national security missions.

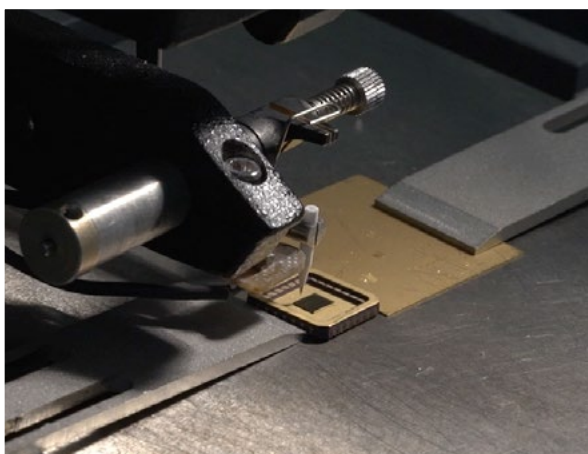
In June 2025, Draper joined the Intel Foundry Chiplet Alliance, a program focused on advancing infrastructure to support emerging technologies across U.S. military, aerospace, and government applications. By fostering collaboration between commercial and defense industrial partners, the alliance aims to create an assured, scalable, and resilient domestic chiplet supply chain to support U.S. national security needs. As an alliance member, Draper gains access to an ecosystem that benefits our customers by minimizing design risks and enabling access to trusted designs across a wide range of applications, including high-performance and fault-tolerant computing, AI, biotechnology, hostile environment operations, and aerospace and defense systems. By leveraging commercial infrastructure and capabilities, Draper will be able to accelerate the development and fielding of national security solutions.



Additionally, Draper was among 10 companies selected for the Defense Microelectronics Activity Advanced Technology Support Program, a government-wide contracting vehicle intended to provide the DOW with a quick-reaction capability across the entire spectrum of technology development, acquisition, and long-term support. The contract will allow Draper to support a wide array of government customers with specialized engineering, secure microelectronics products, and system-level services over the life of the contract.

Freedom of navigation for vital missions

National security operations demand navigation capabilities that remain dependable even in highly contested environments. Draper develops advanced technologies for APNT that provide this level of resilience, enabling human operators and autonomous systems to operate confidently in complex operational scenarios.



We continue to advance our Skymark system for celestial navigation to meet immediate mission needs. During the stub period, Draper delivered the first production lot to the U.S. Navy for use on destroyer-class ships and successfully completed initial at-sea testing. We also received a contract valued at more than \$16 million to lead the Engineering and Manufacturing Development phase of an ongoing program to adapt Skymark for use on a Lockheed Martin airframe, with a view toward transitioning into production in the future.

OUR NXT HORIZON

Looking ahead, Draper is committed to a multimodal future where “anywhere, anytime” navigation is a reality for the U.S. and its allies. By evolving our Skymark technology and integrating a sophisticated suite of gravimetry, magnetometry, and vision-aided systems, we are building a navigation architecture that remains resilient regardless of environmental complexity.

This vision is anchored by ongoing investments in our infrastructure and talent, including construction of the IMPACT Center, and our collaboration with UMass Lowell for workforce development. The IMPACT Center complements our Advanced Packaging Facility, enabling Draper to serve critical onshore packaging needs not met by commercial companies. When this facility opens for production in 2028, it will scale Draper’s capacity to manufacture high-mix, low-volume runs of specialized, high-performance microelectronics that underpin national security systems.

Every milestone is governed by our Draper NXT strategy, driving greater discipline and agility, with a relentless focus on delivering the mission-focused solutions our customers need to prevail in highly contested domains.

SPACE

SYSTEMS

“...YOU’RE WORKING ON CHALLENGING PROBLEMS WITH MOTIVATED, KNOWLEDGEABLE TEAMS, AND YOU’RE NEVER SOLVING THEM ALONE.”



Tony Bogner

For Tony Bogner, some of the most rewarding moments in his career have come at the intersection of complex technology and real-world mission success.

Since joining Draper as a summer student in 1988, Bogner has developed deep expertise in global positioning systems (GPS), working across interdisciplinary efforts that span software, mechanical, radiation effects, and radio frequency engineering.

Early in his career, Bogner contributed to Draper’s work on the International Space Station, supporting development and implementation of Timeliner, a software system that automates complex command sequences and reduces astronaut workload. Today, he serves as a technical leader within Draper’s Engineering Technology organization, guiding development efforts and supporting mission-critical programs.

“The subject matter and the people are what keep me here,” Bogner said. “You’re working on challenging problems with motivated, knowledgeable teams, and you’re never solving them alone.”

Draper continues to advance technologies that will define the coming era of space exploration and superiority, delivering the systems and expertise that keep our nation at the forefront of space operations. Our stub period saw continued progress toward novel solutions in power and propulsion, as well as space systems engineering.

Engineering the future of space power and propulsion

To advance our nation’s resilient space operational capabilities, Draper is pursuing innovations in RPS designs. During our stub period, the DOW selected Draper for a \$3.5 million award, with options potentially totaling \$14 million, from its Operational Energy Capability Improvement Fund to advance our RPS concept. By converting heat from the natural decay of radioactive materials into energy, RPS technology offers important advantages over conventional power sources, including greater longevity and better SWaP performance.

By enhancing the efficiency and resilience of this promising energy solution, Draper aims to enable more capable space missions and expand its applicability to critical national security needs.

Enabling Golden Dome for America

Draper is contributing critical engineering expertise in support of GD4A. We are leveraging our unmatched strengths in resilient, fault tolerant systems, GNC, avionics, and advanced sensing toward helping to deliver key capabilities in support of this vital national security program.

By ensuring close coordination across all Draper GD4A efforts, we will maximize efficiency while ensuring our nation has an end-to-end solution to ballistic, hypersonic, and other long-range missile threats.



Delivering exceptional service in space systems engineering

As the Artemis program advances toward returning humans to the Moon, the success of its crewed missions depends on highly reliable, precisely engineered systems across every phase of flight. Draper's longstanding expertise in GNC plays a vital role in this effort across both the Space Launch System (SLS) rocket and the Orion spacecraft.

In recognition of their contributions to the SLS Program, two Draper employees were honored with the agency's Exceptional Public Service Medal. The SLS rocket is a cornerstone of the Artemis II mission, serving as the launch vehicle for NASA's first crewed lunar flyby in more than 50 years.

The award highlights their exceptional leadership and technical excellence in support of GNC capabilities, including software, avionics, systems integration, and telemetry. These achievements reflect Draper's commitment to engineering rigor, on-time delivery, and support for customers on long-duration, mission-critical programs such as SLS.

OUR NXT HORIZON

In our 2026 fiscal year, Draper will continue our deep involvement with NASA, including support for the Artemis program and the Orion crewed spacecraft, commercial payloads to the Moon's far side, and the Human Landing System.

Driven by Draper NXT, we will sharpen our focus on the challenges of contested space and space superiority, ensuring that defense and intelligence community sponsors have ready access to the engineering expertise and capabilities they need to outpace emerging threats.

By accelerating technologies that secure freedom of action in every orbital regime, Draper will further strengthen the nation's ability to deter, respond, and prevail throughout the space domain.



BIOTECHNOLOGY

SYSTEMS

“WE’RE WORKING ON PROBLEMS THAT DON’T YET HAVE SOLUTIONS, AND DRAPER IS UNIQUELY POSITIONED TO ADDRESS THEM.”



Alla Gimbel

Alla Gimbel joined Draper in 2007 as a student intern, building microfluidic devices for vascular tissue models before the company established a core bioengineering capability.

Nearly two decades later, Gimbel has helped build Draper’s bioengineering organization and a collaborative environment where scientists and engineers can thrive. Today, she serves as Bioengineering Division Director and Chief Engineer for Biotechnology Systems, leading teams that leverage biology, microfluidics, AI, and advanced technologies to counter emerging biothreats.

“Under Draper NXT, we’ve built a unified strategy for the Biotechnology Systems business,” Gimbel said. “We’re working on problems that don’t yet have solutions, and Draper is uniquely positioned to address them.”

Draper’s microphysiological systems (MPS), computational tools, and integrated engineering capabilities support the shift away from human-based drug testing, improve threat characterization and assessment of medical countermeasures, and reduce development timelines and costs. By accelerating responses to emerging threats and improving the evaluation of medical countermeasures (MCMs), we are strengthening the nation’s ability to protect warfighters and civilians alike.

Enabling technologies for a human digital twin

We continue to advance our flagship MPS platform, PREDICT96™, which underpins our work in biotechnology engineering.

During the stub period, we enhanced capabilities and expanded the MPS platform by developing specialized tissue models for multiple customers. For example, on behalf of the Defense Threat Reduction Agency, Draper continued work under the Evaluation of Treatments using High-throughput Multi-Organ Systems (ETHOS) program. The goal of ETHOS is to develop a scalable, multi-organ MPS architecture capable of predicting disease responses and evaluating MCMs against biosafety level 3 (BSL-3) agents. Building on PREDICT96, Draper is developing integrated, advanced micro-organ models — including lung, liver, and kidney tissues — to capture a wide range of immune responses.

Our work on the Screening Countermeasures In vitro for Filovirus Infections (SCIFI) project also progressed, resulting in additional funding from the Biomedical Advanced Research and Development Authority. Under SCIFI, Draper is preparing PREDICT96 models to support testing of countermeasures to filoviruses such as Ebola in a BSL-4 laboratory. Because filovirus pathogenesis is difficult to replicate using traditional approaches, our MPS models

provide a powerful tool for the discovery and development of MCMs for Ebola virus disease and other hemorrhagic infections.

Together with ongoing efforts for the Advanced Research Projects Agency for Health (ARPA-H) and other customers, Draper is advancing toward a true human digital twin. Ultimately, this work advances our ability to simulate personalized biological responses to known or novel CBRNE threats.

Advancing biothreat surveillance and detection

During the stub period, Draper transitioned our computational pipeline for identifying virus protein-antigen interactions to Sandia National Laboratories in support of federal priorities. Initially funded by the Intelligence Advanced Research Projects Activity, the model predicts antigen-antibody binding interactions and is extensible to other protein-protein interactions. This capability accelerates the development of diagnostics and vaccines for viral pathogens. Draper continues to support the development and utilization of the pipeline.

Revolutionizing healthcare for warfighters and civilians

Draper received two awards from ARPA-H that have immense potential to improve civilian health, accelerate drug discovery, and advance national security.

Under the Building Resilient Environments for Air and Total Health (BREATHE) program, awarded in September 2025, Draper contributes expertise in microfluidic pathogen isolation and lysis to help characterize airborne pathogens. BREATHE aims to develop an air quality system that can identify airborne hazards in real time and recommend actions to mitigate risks and improve indoor air quality.

In December 2025, Draper received an award of up to \$26.7 million from ARPA-H under its Computational AD-ME-Tox and Physiology Analysis for Safer Therapeutics (CATALYST) program. The goal of CATALYST is to develop a new generation of computer models that mimic human biology to predict the safety and efficacy of new drug candidates. Draper's role is to provide a crucial layer of human-derived data from our PREDICT96 liver and kidney models. Combined with three additional data layers, our MPS outputs will feed continuous learning models designed to predict individual responses to drug candidates.

By delivering next-generation airborne pathogen testing and predictive in silico drug evaluation, Draper enhances biothreat monitoring and shortens the path to effective CBRNE countermeasures — fortifying the systems and personnel essential to national resilience.



OUR NXT HORIZON

Guided by our Draper NXT strategy, we continue to sharpen our focus on national security needs and expand capabilities to support defense, intelligence, and other mission-driven partners. In the coming year, Draper will expand our capacity to operate in BSL-3 and BSL-4 environments and to support classified collaborations. By revealing the cellular mechanisms that drive disease, this work will inform the development of more effective treatments and countermeasures.

We are also advancing PREDICT96 toward future applications that model multiple tissue types simultaneously to help predict immune responses. In parallel, we are investing in a simplified, field-deployable version capable of detecting human health hazards in military, first-responder, and other operational environments.

Closer collaboration with Draper's Electronic Systems engineers will further strengthen our ability to integrate biological insights into chip design and ensure our biotechnology solutions meet the reliability and security demands of national security missions.

As we move closer to realizing the promise of digital twin technology and next-generation biotechnology solutions, Draper remains committed to protecting our nation's warfighters against rapidly evolving threats.

FINANCIAL

STATEMENTS

January 2, 2026
and June 27, 2025

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 January 2, 2026 and June 27, 2025, and the related statements of activities and of cash flows for the six-month period ended January 2, 2026 and for the twelve-month period ended June 27, 2025, 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 January 2, 2026 and June 27, 2025, and the changes in its net assets and its cash flows for the six-month period ended January 2, 2026 and for the twelve-month period ended June 27, 2025 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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



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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Draper's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Draper's ability to continue as a going concern for a reasonable period of time.

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

PricewaterhouseCoopers LLP

Boston, Massachusetts

May 21, 2026



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

Statements of Financial Position

As of January 2, 2026 ("CY'25 STUB") and June 27, 2025 ("DFY2025")

ASSETS	CY'25 STUB	DFY2025
Current assets		
Cash and cash equivalents	\$ 91,225,859	\$ 88,749,418
Accounts receivable, net of provision for expected credit losses of \$2,572,097 and \$3,238,117 in CY'25 STUB and DFY2025, respectively	63,674,725	79,643,363
Unbilled contract costs and fees, net of allowance of \$3,105,766 and \$4,534,147 in CY'25 STUB and DFY2025, respectively	110,634,156	83,330,772
Other current assets	34,843,010	28,729,692
Total current assets	<u>300,377,750</u>	<u>280,453,245</u>
Long-term investments	290,243,540	270,233,382
Prepaid pension benefits	18,929,645	51,393,714
Property and equipment, net	305,001,872	282,860,069
Operating lease right-of-use assets	14,569,822	15,989,613
Total assets	<u>\$ 929,122,629</u>	<u>\$ 900,930,023</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued contract costs	\$ 50,591,204	\$ 75,003,929
Accrued compensation and related expenses	41,472,731	46,450,720
Current portion of notes payable	848,613	1,055,900
Current portion of bonds payable	3,445,000	3,340,000
Other accrued expenses	6,771,190	6,479,668
Total current liabilities	<u>103,128,738</u>	<u>132,330,217</u>
Notes payable, long-term	-	400,828
Bonds payable, net of deferred financing costs	79,971,830	83,389,245
Operating lease liabilities, long-term	11,997,767	14,090,309
Deferred revenue and other long-term liabilities	72,536,526	65,259,321
Total liabilities	<u>267,634,861</u>	<u>295,469,920</u>
Net assets without donor restrictions	661,487,768	605,460,103
Total liabilities and net assets	<u>\$ 929,122,629</u>	<u>\$ 900,930,023</u>

Statements of Activities

For The 6 Months Ended January 2, 2026 and 12 Months Ended June 27, 2025

OPERATING REVENUES	CY'25 STUB	DFY2025
Gross revenue	\$ 510,975,274	\$ 942,243,216
Other income	8,711	15,909
Total operating revenues	<u>510,983,985</u>	<u>942,259,125</u>
OPERATING EXPENSES		
Direct costs		
Subcontracts	85,336,280	180,540,548
Salaries and wages	118,534,126	209,299,826
Employee benefits	63,075,354	103,666,101
Materials, services, and rentals	38,461,404	85,452,458
Other; principally travel and equipment	50,400,449	76,265,163
Total direct costs	<u>355,807,613</u>	<u>655,224,096</u>
Indirect costs		
Salaries and wages	62,873,487	117,285,001
Employee benefits and vacations	24,653,073	44,884,671
Materials, services, and rentals	16,978,821	34,491,437
Depreciation and amortization	16,898,324	31,785,897
Facilities, communications, unallowables, and other	11,273,870	30,348,592
Total indirect costs	<u>132,677,575</u>	<u>258,795,598</u>
Total operating expenses	<u>488,485,188</u>	<u>914,019,694</u>
Increase in net assets without donor restrictions from operations	<u>22,498,797</u>	<u>28,239,431</u>
Non-operating gains (losses)		
Interest expense and fees	(2,197,464)	(4,596,288)
Investment return, net of investment costs	19,436,617	23,172,496
Other non-operating (loss) income, net	656,274	(2,660,871)
Other components of net period benefit costs	20,827,305	9,252,432
Other changes in pension and post-retirement benefits	(5,193,864)	(487,598)
Total non-operating gains (losses), net	<u>33,528,868</u>	<u>24,680,171</u>
Increase in net assets without donor restrictions	<u>56,027,665</u>	<u>52,919,602</u>
Net assets without donor restrictions, beginning of year	605,460,103	552,540,501
Net assets without donor restrictions, end of year	<u>\$ 661,487,768</u>	<u>\$ 605,460,103</u>

Statements of Cash Flows

For The 6 Months Ended January 2, 2026 and 12 Months Ended June 27, 2025

CASH FLOWS FROM OPERATING ACTIVITIES

	<u>CY'25 STUB</u>	<u>DFY2025</u>
Increase in net assets without donor restrictions	\$ 56,027,665	\$ 52,919,602
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities		
Depreciation and amortization	16,951,011	31,645,234
Realized and net change in unrealized losses on long-term investments	(17,956,996)	(20,504,134)
Other changes in pension and post-retirement benefits	5,193,864	487,598
Loss (gain) on disposal of property and equipment	-	(5,000)
Other non-cash adjustments	1,621,595	3,036,129
Changes in operating assets and liabilities		
Accounts receivable	15,968,639	(5,881,782)
Prepaid pension benefits	27,270,205	(9,226,624)
Unbilled contract costs and fees	(27,303,385)	(23,168,958)
Other current assets	(6,113,316)	(4,149,451)
Deferred charges and other assets	27,584	43,769
Accounts payable and accrued contract costs	(22,429,293)	17,852,101
Accrued compensation and related expenses	(5,551,529)	4,542,617
Deferred revenue	6,176,851	15,888,022
Other accrued expenses	(2,765,219)	(5,833,656)
Net cash provided by operating activities	<u>47,117,676</u>	<u>57,645,467</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Additions to property and equipment	(40,822,576)	(62,173,085)
Proceeds from sale of property and equipment	-	5,000
Purchase of investment securities	(29,423,772)	(226,091,325)
Proceeds from sale of investment securities	29,553,228	186,817,807
Net cash used by investing activities	<u>(40,693,120)</u>	<u>(101,441,603)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of debt	(3,948,115)	(5,497,554)
Net cash used by financing activities	<u>(3,948,115)</u>	<u>(5,497,554)</u>
Net increase in cash and cash equivalents	2,476,441	(49,293,690)
Cash and cash equivalents, beginning of year	88,749,418	138,043,109
Cash and cash equivalents, end of year	<u>\$ 91,225,859</u>	<u>\$ 88,749,418</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Interest paid	\$ 1,826,819	\$ 3,702,814
Property and equipment in accounts payable and accrued contract costs	\$ 6,546,768	\$ 8,659,656
Lease liabilities from obtaining right-of-use assets	\$ 4,381	\$ 3,283,025

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.

Change in Fiscal Year End

On May 30, 2024, Draper's Board of Directors approved a change in Draper's fiscal year-end from the Friday closest to June 30 to the Friday closest to December 31 to align with other companies in the industry as well as government contracting entities. This change also aims to reduce overlapping year end calendars with supporting entities such as benefit providers and investment companies. The transition period as presented in the financial statements covers the period from June 28, 2025 through January 2, 2026 ("CY'25 STUB"). Draper's new fiscal year began on January 3, 2026 and will end on January 1, 2027. Approximately every fifth year, Draper's fiscal year will contain 53 weeks.

Comparative Financials

Draper has historically presented comparative financial statements using financial statements from consecutive full twelve-month fiscal years. As CY'25 STUB reflects a six-month period, the CY'25 STUB results are not comparable to the DFY2025 financial statements.

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.

During CY'25 STUB and DFY2025, Draper recognized revenue of \$509,975,969 and \$942,252,593 over time and \$1,008,016 and \$6,532 at a point in time, 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 financ-

ing 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.

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 (loss) income, net in the statements of activities.

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

Leases

Draper accounts for leases, both as lessor and lessee, in accordance with ASC Topic 842: Leases (“Topic 842”). In 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. As of January 2, 2026, Draper does not have any arrangements where it acts as a lessor.

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 has lease agreements with lease and non-lease components. It did not elect the practical expedient to combine these components. 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 public equities, fixed income, hedge funds, real assets, and private equity & venture capital, and opportunistic. Realized gains and losses on long-term investments 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. Draper’s accounts receivable are reported

at an amount equal to the amount that is expected to be collected for providing services to customers. 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.

Accounting Pronouncements

In July 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-05, Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets. The ASU is designed to reduce the cost and complexity of applying Topic 326 (credit losses) to current accounts receivable and current contracts assets arising from transactions accounted for under Topic 606 (revenue from contracts with customers). The ASU allows the option to disclose whether the practical expedient and/or the accounting policy election is applied to calculate credit risk. The amendment in this standard is effective for fiscal years beginning after December 15, 2025 or early adoption for financial statements that are not yet issued. Draper is currently assessing the impact of the adoption of this guidance on its financial statements.

2. Long-Term Investments

Draper’s investment portfolio is managed by RockCreek, acting as Draper’s outsourced investment officer. In this capacity, RockCreek invests with full discretion on Draper’s behalf, adhering to the investment guidelines set forth in the investment policy statement approved by the Finance Committee of Draper’s Board of Directors, (“BOD”). Draper’s investments are presented at fair value in accordance with GAAP. Draper measures investment portfolio assets using the month-end date closest to Draper’s fiscal year-end date. There were capital commitments of \$16,749,048 and \$11,786,771 as of January 2, 2026 and June 27, 2025, 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 January 2, 2026 and June 27, 2025:

Long-Term Investments	CY’25 STUB	DFY2025
Cash and money market		
mutual funds	\$ 16,214,595	\$ 11,487,763
Global equity	152,777,187	150,066,257
Global fixed income	55,809,335	49,800,507
Absolute return	-	-
Opportunistic	5,029,402	4,524,243
Hedge Funds	34,668,486	36,523,444
Real assets	2,767,597	2,768,026
Private capital	21,993,437	14,112,268
Insurance contracts and other	983,501	950,874
Total long-term investments	<u>\$ 290,243,540</u>	<u>\$ 270,233,382</u>

The following tables present information about the assets that are measured at fair value on a recurring basis as of January 2, 2026 and June 27, 2025 and indicate the fair value hierarchy of valuation techniques Draper utilized to determine such fair value:

	<u>January 2, 2026</u>	<u>Level 1 Assets</u>	<u>Level 2 Assets</u>	<u>Level 3 Assets</u>	<u>NAV as Practical Expedient</u>
Long-Term Investments					
Cash and money market mutual funds	\$ 16,214,595	\$ 16,214,595	\$ -	\$ -	\$ -
Global equity	152,777,187	103,191,990	-	-	49,585,197
Global fixed income	55,809,335	49,395,472	-	-	6,413,863
Opportunistic	5,029,402	-	-	-	5,029,402
Hedge Funds	34,668,486	-	-	-	34,668,486
Real assets	2,767,597	-	-	-	2,767,597
Private capital	21,993,437	-	-	-	21,993,437
Insurance contracts and other	983,501	-	618,095	365,406	-
Total investment securities at fair value	<u>\$ 290,243,540</u>	<u>\$ 168,802,057</u>	<u>\$ 618,095</u>	<u>\$ 365,406</u>	<u>\$ 120,457,982</u>
Long-Term Investments					
Cash and money market mutual funds	\$ 11,487,763	\$ 11,487,763	\$ -	\$ -	\$ -
Global equity	150,066,257	95,984,051	-	-	54,082,206
Global fixed income	49,800,507	43,562,045	-	-	6,238,463
Opportunistic	4,524,243	-	-	-	4,524,243
Hedge Funds	36,523,444	-	-	-	36,523,444
Real assets	2,768,026	-	-	-	2,768,026
Private capital	14,112,268	-	-	-	14,112,268
Insurance contracts and other	950,874	-	592,568	358,306	-
Total investment securities at fair value	<u>\$ 270,233,382</u>	<u>\$ 151,033,859</u>	<u>\$ 592,568</u>	<u>\$ 358,306</u>	<u>\$ 118,248,650</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 January 2, 2026 and June 27, 2025, respectively.

Redemption Terms as of January 2, 2026

Assets	Fair Value	Redemption Terms	Days Notice
Global equities	\$ 49,585,197	Range from daily to 12 months, with one fund subject to a 25% gate	30-90 days
Global fixed income	6,413,863	Range from daily to 3 months	5-90 days
Opportunistic	5,029,402	Range from Semi-Annual with a 2-year lock after called capital to Illiquid	90 Days on semi-annual position
Hedge Funds	34,668,486	Range from 30 days to 12 months, with certain funds subject to gates and/or additional lock-up provisions, while others are not available for redemption	45-100 days
Real assets	2,767,597	Monthly	30 days
Private capital	21,993,437	Illiquid	Not applicable
	<u>\$ 120,457,982</u>		

Redemption Terms as of June 27, 2025

Assets	Fair Value	Redemption Terms	Days Notice
Global equities	\$ 54,082,206	Range from daily to 12 months, with one fund subject to a 25% gate	30-90 days
Global fixed income	6,238,463	Range from daily to 3 months	5-90 days
Opportunistic	4,524,243	Range from Semi-Annual with a 2-year lock after called capital to Illiquid	90 Days on semi-annual position
Hedge Funds	36,523,444	Range from 30 days to 12 months, with certain funds subject to gates and/or additional lock-up provisions, while others are not available for redemption	45-100 days
Real assets	2,768,026	Monthly	30 days
Private capital	14,112,268	Illiquid	Not applicable
	<u>\$ 118,248,650</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 January 2, 2026 and June 27, 2025:

	CY'25 STUB	DFY2025
Data processing equipment	\$ 100,465,000	\$ 99,562,275
Lab and other equipment	211,451,152	203,414,075
Building and leasehold improvements	222,855,705	216,477,981
Building	74,032,183	74,032,183
Land	35,885,672	35,767,716
Construction in progress	<u>89,505,163</u>	<u>66,231,570</u>
	734,194,875	695,485,800
Less: Accumulated depreciation	<u>429,193,003</u>	<u>412,625,731</u>
Property and equipment, net	<u>\$ 305,001,872</u>	<u>\$ 282,860,069</u>

Depreciation expense was \$16,567,885 and \$31,692,921 for CY'25 STUB and DFY2025, respectively, while amortization expense was \$383,127 and \$145,664 for CY'25 STUB and DFY2025, respectively.

Draper capitalizes interest cost incurred during the period of construction of capital assets. Interest costs capitalized during CY'25 STUB and DFY2025 were \$328,509 and \$649,213, 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 \$4,128,572 in CY'25 STUB and \$8,118,337 in DFY2025 are included in the statements of activities.

In CY'25 STUB and DFY2025, 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 \$13,266,896 and \$31,722,587 for CY'25 STUB and DFY2025, respectively. In addition, total non-reimbursed operating expenses included in indirect costs were \$1,222,492 and \$9,741,933 for CY'25 STUB and DFY2025, respectively, and consist of unallowable personnel and administrative-related expenses.

5. Commitments and Contingencies

The Defense Contract Management Agency (“DCMA”) and Draper settled indirect rates for DFY2025 on April 30, 2026. The application of DFY2025 settled rates is reflected in the DFY2025 financial statements. The audit of CY’25 STUB is in process and anticipated to be completed by September 30, 2026.

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

Draper offers its employees an interest-free loan program in connection with a third-party financial institution (“Institution”). Employees are allowed to borrow from the Institution, one-time only, up to \$10,000 to be paid back via 36 equal monthly payments. Draper pays the Institution interest expense associated with each employee’s loan. In the event of a default by the borrower and after all collection attempts have been made by the Institution, Draper is responsible to pay the Institution the related outstanding principal and interest balance. Outstanding borrowings by employees were \$1,566,623 and \$1,294,955 at the end of CY’25 STUB and DFY2025, 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>CY’25 STUB</u>	<u>DFY2025</u>
Cash and cash equivalents	\$ 91,225,859	\$ 88,749,418
Accounts receivable, net of provision for expected credit losses	63,674,725	79,643,363
Unbilled contract costs and fees, net of allowances	110,634,156	83,330,772
Investments redeemable within one year	255,703,252	236,807,091
Total financial assets available within one year	<u>\$ 521,237,992</u>	<u>\$ 488,530,644</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 CY’25 STUB and DFY2025 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 periods ended January 2, 2026 and June 27, 2025:

	PENSION BENEFITS		MEDICAL BENEFITS	
	CY'25 STUB	DFY2025	CY'25 STUB	DFY2025
Benefit obligation at end of year	\$ 93,706,836	\$ 102,591,035	\$ 13,614,896	\$ 13,811,180
Fair value of plan assets at end of year	95,617,208	138,835,157	30,634,169	28,960,794
Funded (unfunded) status of the plans	<u>\$ 1,910,372</u>	<u>\$ 36,244,122</u>	<u>\$ 17,019,273</u>	<u>\$ 15,149,614</u>
Statements of Financial Position				
Noncurrent assets	\$ 1,910,372	\$ 36,244,122	\$ 17,019,273	\$ 15,149,614
Noncurrent liabilities	-	-	-	-
Funded (unfunded) status of the plans	<u>\$ 1,910,372</u>	<u>\$ 36,244,122</u>	<u>\$ 17,019,273</u>	<u>\$ 15,149,614</u>
Net period benefit cost	<u>\$ (17,611,657)</u>	<u>\$ (3,228,343)</u>	<u>\$ (995,696)</u>	<u>\$ (2,028,175)</u>
Amounts not yet reflected in net periodic benefit cost and included in net assets without donor restrictions:				
Accumulated actuarial loss (gain)	\$ 4,650,456	\$ (1,406,944)	\$ (17,135,000)	\$ (16,287,616)
Prior service costs (benefits)	662,243	678,395	-	-
Net (gain) loss	<u>\$ 5,312,699</u>	<u>\$ (728,549)</u>	<u>\$ (17,135,000)</u>	<u>\$ (16,287,616)</u>

	RPE	RPDE	Total Pension Benefits	Medical Benefits
At January 2, 2026				
Benefit obligation at end of year	\$ 93,706,836	\$ -	\$ 93,706,836	\$ 13,614,896
Fair value of plan assets at end of year	95,617,208	-	95,617,208	30,634,169
Funded (Unfunded) status of the plans	<u>\$ 1,910,372</u>	<u>\$ -</u>	<u>\$ 1,910,372</u>	<u>\$ 17,019,273</u>
At June 27, 2025				
Benefit obligation at end of year	\$ 92,631,077	\$ 9,959,958	\$ 102,591,035	\$ 13,811,180
Fair value of plan assets at end of year	93,781,408	45,053,749	138,835,157	28,960,794
Funded (Unfunded) status of the plans	<u>\$ 1,150,331</u>	<u>\$ 35,093,791</u>	<u>\$ 36,244,122</u>	<u>\$ 15,149,614</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 87% of Draper's pension and post-retirement health insurance and prescription drug benefit obligations as of January 2, 2026.

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, which Draper had estimated to be \$12,987,014 as of the year ended June 28, 2024.

On June 16, 2025, Draper entered into a settlement agreement with DCMA to settle claims and litigation between the parties related to the pension plan curtailment. Pursuant to the settlement agreement, Draper will repay the government \$19,000,000, plus simple interest at the rate of 4.625% to be effectuated over a period of 10 calendar years. The increase to the liability of \$6,012,986 is reflected in the DFY2025 financial statements in other non-operating income, net within the statements of activities. As of January 2, 2026, the current and long-term portions of \$1,645,517 and \$15,013,093 are reflected in accounts payable and accrued contract costs and deferred revenue and other long-term liabilities, respectively, within the statements of financial position. Under the terms of the repayment agreement, Draper will annually recognize an allocated amount of the principal and interest as a credit against employee benefits and vacations within the statements of activities.

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 defined benefit component of the plan was fully settled during December 2025 resulting in immediate recognition of any unamortized net gain or loss resulting from the plan amendment, settlement of obligations and asset reversion as of December 31, 2025. The settlement resulted in a one-time net settlement gain of \$15,763,280 reflected in the other components of net period benefit costs within the statement of activities. Reversion of the excess assets was made to Draper reflecting the settlement of all obligations, expenses, and surrender charges. No assets or liabilities from the defined benefit component of the plan remain as of January 2, 2026. Accounting for the settlement of the plan was in accordance with Accounting Standards Codification 715-30.

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 \$20,409,247 and \$34,254,639 for CY'25 STUB and DFY2025, 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	
	CY'25 STUB	DFY2025	CY'25 STUB	DFY2025
Benefit obligation at beginning of year	\$ 102,591,035	\$ 100,471,061	\$ 13,811,180	\$ 14,158,267
Service cost	-	-	189,760	366,914
Interest cost	2,570,486	5,043,880	356,845	718,700
Plan participants' contributions	-	-	-	86,129
Change in assumptions	(6,650,856)	2,244,622	(656,444)	(473,478)
Benefits paid	(4,803,829)	(5,168,528)	(86,445)	(1,045,352)
Benefit obligation at end of year	\$ 93,706,836	\$ 102,591,035	\$ 13,614,896	\$ 13,811,180
Accumulated benefit obligation	\$ 93,706,836	\$ 102,591,035		

Weighted-average assumptions

Discount rate	5.42%	5.40%	5.45%	5.48%
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	
	CY'25 STUB	DFY2025	CY'25 STUB	DFY2025
Service cost	\$ -	\$ -	\$ 189,760	\$ 366,914
Interest cost	2,570,486	5,043,880	356,845	718,700
Expected return on plan assets	(3,694,310)	(7,209,087)	(999,715)	(1,816,669)
Amortization of prior service cost	16,152	32,304	-	(207,084)
Amortization of net actuarial loss	(16,503,985)	(1,095,440)	(542,586)	(1,090,036)
Net periodic benefit cost	\$ (17,611,657)	\$ (3,228,343)	\$ (995,696)	\$ (2,028,175)

	PENSION BENEFITS		MEDICAL BENEFITS	
	CY'25 STUB	DFY2025	CY'25 STUB	DFY2025
Changes in plan assets and benefit obligations recognized in net assets without donor restrictions				
Net loss (gain)	\$ (10,446,585)	\$ 48,847	\$ (1,389,970)	\$ (1,921,505)
Amortizations:				
RPE	-	-	-	-
RPDE	16,503,985	1,095,440	-	-
RMP	-	-	542,586	1,297,120
Total Amortizations	16,503,985	1,095,440	542,586	1,297,120
Total recognized in net assets without donor restrictions	\$ 6,057,400	\$ 1,144,287	\$ (847,384)	\$ (624,385)
Total recognized in net periodic benefit cost and net assets without donor restrictions	\$ (11,554,257)	\$ (2,084,056)	\$ (1,843,080)	\$ (2,652,560)

Weighted-average assumptions

Discount rate	5.40%	5.43%	5.48%	5.46%
Expected long-term return on plan assets	5.75%	5.75%	7.00%	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 FY2026 are expected to be \$0, \$0 and \$0, respectively. Amortization of medical benefit prior service costs and gains and losses in FY2026 are expected to be \$0.

Assumptions

The discount rate used for the RPDE plans is determined annually based on census information, the timing of future benefit payments, and yield curve data from the FTSE Yield Curve. The RMP and RPE discount rates are estimated by 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.

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 \$0 in FY2026.

Plan Assets

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

	PENSION BENEFITS		MEDICAL BENEFITS	
	CY'25 STUB	DFY2025	CY'25 STUB	DFY2025
Fair value of plan assets at beginning of year	\$ 138,835,157	\$ 130,969,823	\$ 28,960,794	\$ 26,360,343
Actual return on plan assets	7,585,925	9,397,154	1,733,241	3,264,696
Employer contributions	(45,904,159)	3,629,000	26,579	294,978
Plan participants' contributions	-	-	-	86,129
Benefits paid	(4,899,715)	(5,214,588)	(86,445)	(1,045,352)
Fair value adjustments	-	53,768	-	-
Fair value of plan assets at end of year	\$ 95,617,208	\$ 138,835,156	\$ 30,634,169	\$ 28,960,794

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

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

	RPE			RPDE			
		Asset Allocation			Asset Allocation		
	Fair Value	Target	Actual	Fair Value	Target	Actual	Total Pension
January 2, 2026							
Equity	\$ 19,003,073	20%	20%	\$ -	50%	0%	\$ 19,003,073
Fixed income	65,612,913	70%	69%	-	0%	0%	65,612,913
Growth fixed income	7,262,691	8%	8%	-	0%	0%	7,262,691
Real assets	3,008,747	3%	3%	-	0%	0%	3,008,747
Insurance contracts	727,928	0%	1%	-	50%	0%	727,928
Cash & cash equivalents	1,856	0%	0%	-	0%	0%	1,856
	<u>\$ 95,617,208</u>			<u>\$ -</u>			<u>\$ 95,617,208</u>
		RPE			RPDE		
		Asset Allocation			Asset Allocation		
	Fair Value	Target	Actual	Fair Value	Target	Actual	Total Pension
June 27, 2025							
Equity	\$ 19,086,522	20%	20%	\$ 24,409,357	50%	54%	\$ 43,495,879
Fixed income	64,172,060	70%	68%	-	0%	0%	64,172,060
Growth fixed income	6,945,049	8%	7%	-	0%	0%	6,945,049
Real assets	2,854,468	3%	3%	-	0%	0%	2,854,468
Insurance contracts	718,447	0%	1%	20,644,392	50%	46%	21,362,839
Cash & cash equivalents	4,861	0%	0%	-	0%	0%	4,861
	<u>\$ 93,781,407</u>			<u>\$ 45,053,749</u>			<u>\$ 138,835,156</u>

The following tables present information about the pension plan assets that are measured at fair value on a recurring basis as of January 2, 2026 and June 27, 2025, respectively, and indicate the fair value hierarchy of the valuation techniques Draper utilized to determine such fair value:

	January 2, 2026	Level 1 Assets	Level 2 Assets	Level 3 Assets	NAV as Practical Expedient
Long-Term Investments					
Cash & cash equivalents	\$ 1,856	\$ 1,856	\$ -	\$ -	\$ -
Equity	19,003,073	-	-	-	19,003,073
Fixed income	65,612,913	-	-	-	65,612,913
Growth fixed income	7,262,691	-	-	-	7,262,691
Real assets	3,008,747	-	-	-	3,008,747
Insurance contracts	727,928	-	-	727,928	-
	<u>\$ 95,617,208</u>	<u>\$ 1,856</u>	<u>\$ -</u>	<u>\$ 727,928</u>	<u>\$ 94,887,424</u>
	June 27, 2025	Level 1 Assets	Level 2 Assets	Level 3 Assets	NAV as Practical Expedient
Long-Term Investments					
Cash & cash equivalents	\$ 4,861	\$ 4,861	\$ -	\$ -	\$ -
Equity	43,495,879	-	-	-	43,495,879
Fixed income	64,172,060	-	-	-	64,172,060
Growth fixed income	6,945,049	-	-	-	6,945,049
Real assets	2,854,468	-	-	-	2,854,468
Insurance contracts	21,362,839	-	-	21,362,839	-
	<u>\$ 138,835,156</u>	<u>\$ 4,861</u>	<u>\$ -</u>	<u>\$ 21,362,839</u>	<u>\$ 117,467,456</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	
	CY'25 STUB	DFY2025
Balance at beginning of fiscal year	\$ 21,362,838	\$ 20,734,168
Purchases	2,517,751	4,887,850
Total gains	431,457	892,208
Benefits paid	(23,584,118)	(5,151,388)
Balance at end of fiscal year	<u>\$ 727,928</u>	<u>\$ 21,362,838</u>

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

		Asset Allocation				Asset Allocation	
Fair Value		Target	Actual	Fair Value		Target	Actual
January 2, 2026				June 27, 2025			
Equity	\$ 13,382,558	42%	44%	Equity	\$ 12,384,365	42%	43%
Fixed income	11,714,021	40%	38%	Fixed income	11,350,277	40%	39%
Growth fixed income	3,594,046	12%	12%	Growth fixed income	3,450,807	12%	12%
Real assets	1,918,796	6%	6%	Real assets	1,750,232	6%	5%
Cash & cash equivalents	24,748	0%	0%	Cash & cash equivalents	25,113	0%	0%
	<u>\$ 30,634,169</u>				<u>\$ 28,960,794</u>		

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

	January 2, 2026	Level 1 Assets	Level 2 Assets	Level 3 Assets	NAV as Practical Expedient
Long-Term Investments					
Cash & cash equivalents	\$ 24,748	\$ 24,748	\$ -	\$ -	\$ -
Equity	13,382,558	5,887,234	-	-	7,495,324
Fixed income	11,714,021	4,384,338	-	-	7,329,683
Growth fixed income	3,594,046	3,594,046	-	-	-
Real assets	1,918,796	-	-	-	1,918,796
Insurance contracts	-	-	-	-	-
	<u>\$ 30,634,169</u>	<u>\$ 13,890,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,743,803</u>
	June 27, 2025	Level 1 Assets	Level 2 Assets	Level 3 Assets	NAV as Practical Expedient
Long-Term Investments					
Cash & cash equivalents	\$ 25,113	\$ 25,113	\$ -	\$ -	\$ -
Equity	12,384,365	5,540,829	-	-	6,843,536
Fixed income	11,350,277	4,234,893	-	-	7,115,384
Growth fixed income	3,450,807	3,450,807	-	-	-
Real assets	1,750,232	-	-	-	1,750,232
Insurance contracts	-	-	-	-	-
	<u>\$ 28,960,794</u>	<u>\$ 13,251,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,709,152</u>

Contributions and Benefits

There are no expected contributions in FY2026 for the RPE, RPDE and RMP plans. The RPE and RMP plans are in an overfunded position.

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

<u>Fiscal Year</u>	<u>Pension Benefits</u>	<u>Medical Benefits</u>
2026	\$ 6,418,955	\$ 812,297
2027	6,391,587	855,113
2028	6,724,373	901,920
2029	6,941,092	940,323
2030	7,113,491	974,748
2031-2035	34,519,868	5,198,686

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 remained at \$75,000,000, effective May 8, 2026. Additionally, Draper has a \$25,000,000 line of credit, secured by investments, at Eastern Bank that was renewed on April 15, 2026 with a termination date of April 15, 2029. Draper had no outstanding balances on its lines of credit as of January 2, 2026 and June 27, 2025, 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 January 2, 2026 and June 27, 2025.*

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>CY'25 STUB</u>	<u>DFY2025</u>
May, 2025	4.12%	\$ -	\$ -
June, 2025	4.09%	-	8,582
November, 2025	4.36%	-	158,080
October, 2026	2.65%	263,378	418,638
December, 2026	2.96%	585,235	871,428
		<u>\$ 848,613</u>	<u>\$ 1,456,728</u>

There are no payments expected after December 2026 related to Notes Payable.

Interest paid on these notes was \$17,557 and \$87,684 in CY'25 STUB and DFY2025, respectively.

Draper borrowed \$0 in CY'25 STUB and DFY2025, 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 January 2, 2026 and June 27, 2025:

	CY'25 STUB	DFY2025
Outstanding bonds	\$ 83,925,000	\$ 87,265,000
Less: deferred financing costs	(508,171)	(535,755)
Total bonds payable	<u>\$ 83,416,830</u>	<u>\$ 86,729,245</u>

2015 Bond Series		
Maturity Date	Interest Rate	Maturity Amount
September, 2026	3.24%	3,445,000
September, 2027	3.34%	3,555,000
September, 2028	3.44%	3,675,000
September, 2029	3.54%	3,800,000
September, 2030	3.59%	3,935,000
		<u>\$ 18,410,000</u>

2018 Bond Series		
Maturity Date	Interest Rate	Maturity Amount
September, 2026		\$ -
September, 2027		-
September, 2028		-
September, 2029		-
September, 2030		-
Thereafter	4.19% - 4.39%	\$ 65,515,000
		<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 CY'25 STUB and DFY2025, 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:

	CY'25 STUB	DFY2025
Fair value of liability at beginning of year	\$ 7,841,675	\$ 7,574,822
Liabilities settled	-	(1,296)
Accretion of fair value	277,595	268,149
Fair value of liability at end of year	<u>\$ 8,119,270</u>	<u>\$ 7,841,675</u>

Draper established a 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's recorded liability was \$2,975,849 and \$2,736,231 in CY'25 STUB and DFY2025, respectively.

12. Leases

Draper, as lessee, leases office space, laboratory facilities and certain equipment. Such leases expire at various dates through FY2033, 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 was \$3,104,643 and \$3,864,914 in CY'25 STUB and DFY2025, respectively. The current portion of lease liabilities as of January 2, 2026 and June 27, 2025, \$4,310,777 and \$4,415,274, respectively, is included in other accrued expenses in the statement of

financial position. The long-term portion of lease liabilities as of January 2, 2026 and June 27, 2025, \$11,997,766 and \$14,090,309, is included in operating lease liabilities, long-term.

Minimum annual rental commitments under such leases (subject to certain escalation provisions) as of January 2, 2026 are as follows:

Fiscal Year	Building	Equipment	Total
2026	\$ 3,838,775	\$ 578,936	\$ 4,417,711
2027	3,357,128	1,113,409	4,470,537
2028	2,985,231	566,897	3,552,128
2029	2,579,054	-	2,579,054
2030	1,160,732	-	1,160,732
Thereafter	1,961,742	-	1,961,742
	<u>\$ 15,882,662</u>	<u>\$ 2,259,242</u>	<u>\$ 18,141,904</u>

| Supplemental balance sheet information related to operating leases was as follows as of January 2, 2026:

Weighted average remaining lease term (in years)	4.75
Weighted average discount rate	4.59%

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 CY'25 STUB and DFY2025 are summarized in the below table:

January 2, 2026

Natural Classification	Sponsored	Non-Sponsored	Management and General	Total
Subcontracts	\$ 85,336,279	\$ -	\$ -	\$ 85,336,279
Salaries and wages	152,071,699	8,365,208	20,970,706	181,407,613
Employee benefits and vacations	76,807,944	3,948,230	6,969,394	87,725,568
Materials, services and rentals	47,547,086	3,697,571	4,195,569	55,440,226
Depreciation and amortization	14,798,729	756,880	1,342,715	16,898,324
Other; principally travel and equipment	53,454,794	2,743,599	5,478,785	61,677,178
Total	\$ 430,016,531	\$ 19,511,488	\$ 38,957,169	\$ 488,485,188

June 27, 2025

Natural Classification	Sponsored	Non-Sponsored	Management and General	Total
Subcontracts	\$ 180,540,548	\$ -	\$ -	\$ 180,540,548
Salaries and wages	273,642,583	18,168,088	34,774,156	326,584,827
Employee benefits and vacations	130,377,150	8,260,287	9,913,335	148,550,772
Materials, services and rentals	104,670,447	7,484,366	7,789,082	119,943,895
Depreciation and amortization	27,904,295	1,756,402	2,125,200	31,785,897
Other; principally travel and equipment	91,217,881	5,509,622	9,886,252	106,613,755
Total	\$ 808,352,904	\$ 41,178,765	\$ 64,488,025	\$ 914,019,694

14. Results of Operations

Total operating revenue is \$510,983,985 in CY'25 STUB and \$942,259,125 in DFY2025. 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 \$5,551,949 and \$6,731,227 at January 2, 2026 and June 27, 2025, respectively.

Direct expenses are \$355,807,614 and \$655,224,096 in CY'25 STUB and DFY2025, respectively. Indirect costs in CY'25 STUB and DFY2025 are \$132,677,575 and \$258,795,598, respectively.

15. Subsequent Events

Draper has performed an evaluation of subsequent events through May 21, 2026, which is the date the financial statements were available to be issued. There are no events that occurred after January 2, 2026 that have a material impact on Draper's financial statements.

GOVERNANCE

AND CORPORATION MEMBERS & OFFICERS

BOARD OF DIRECTORS

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Budget Committee, Chair

Cynthia Collins

Amr A. ElSawy*
Chairman of the Board
Nominating and Governance Committee, Chair

Jamie Goldstein
Finance Committee, Chair

Scott W. MacKay

Betty J. Sapp
Human Resources and Compensation Policy Committee, Chair

John Shaw

Wanda A. Sigur
Strategy & Risk Management Committee, Chair

Barbara N. Stevens, Ph.D.
Special Security Committee, Chair

D. Richard Williams
Audit Committee, Chair

Jerry M. Wohletz*, Ph.D.

** Amr A. ElSawy (as Board Chair) and Jerry M. Wohletz, Ph.D. (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, Ph.D.
President & Chief Executive Officer

MEMBERS OF THE CORPORATION

David B. Aronoff

George A. Ashur

Terry J. Benedict

Cynthia Collins

Edward F. Crawley
Sc.D.

Amr A. ElSawy

Eric D. Evans
Ph. D.

Jamie A. Goldstein

Susan Hackwood
Ph.D.

Daniel E. Hastings
Ph.D.

Francis H. Kearney

William A. LaPlante
Ph.D.

Scott W. MacKay

Joanne M. Maguire

William Neil McCasland
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David R. Pelizzon

Gale S. Pollock

Mark E. Russell
Honorary Doctorate

Nills R. Sandell Jr.
Ph.D.

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John E. Shaw

David R. Shedd

Wanda A. Sigur

Barbara N. Stevens
Ph.D.

Joseph L. Votel

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Robert E. Wheeler

Richard D. White

Neil R. Wiley

D. Richard Williams

Jerry M. Wohletz
Ph.D.

Barbara A. Yastine



The Charles Stark Draper Laboratory, Inc.

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ALABAMA

Huntsville Campus

6703 Odyssey Drive, Suite 305, Huntsville, AL 35806

COLORADO

Aurora Secure Facility

777 S. Sable Blvd, Aurora, CO 80012

FLORIDA

St. Petersburg Campus

Advanced Packaging Facility, 9900 16th Street N.,

St. Petersburg, FL 33716

Rapid Prototyping Center, 11208 Blue Heron Boulevard North,
Suite 100, St. Petersburg, FL 33716

Guidance Test Building & GPS Test Asset Program (Site 29)

P.O. Box 236, Port Canaveral, FL 32920

Strategic Enhanced Ground Test Facility

6280 Riverfront Center Boulevard, Titusville, FL 32780

INDIANA

Odon Campus

14359 Schoenberger Drive, Odon, IN 47562

MASSACHUSETTS

Bedford Strategic Testing Facility

711 Virginia Road, Concord, MA 01742

Cambridge Campus

Duffy Building, 555 Technology Square, Cambridge, MA 02139

Hill Building, One Hampshire Cambridge, MA 02139

Government-Owned Facility

U.S. Navy Integrated Support Facility

540 Merrill Road Pittsfield, MA 01201

Lowell Campus

IMPACT Center 1.0, Lot 15 - Lowell, MA 01854

Wannalancit Building, 660 Suffolk Street, Lowell, MA 01854

Wilmington Warehouse Facility

1 Burlington, Ave Wilmington, MA.

TEXAS

Houston Campus

NASA Johnson Space Center, 17629 El Camino, Suite 470,

Houston, TX 77058

UTAH

Clearfield Facility

1366 South Legends Hill Drive, Clearfield, UT 84015

Hill Air Force Base Facility

1170 Wardleigh Road, Hill AFB, UT 84056

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Reston Campus

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