

The MITRE Corporation

**Report of Independent Auditors on Financial
Statements and Schedule of Expenditures of
Federal Awards in Accordance with
OMB Uniform Guidance
For the Year Ended September 30, 2020
EIN: 04-2239742**

The MITRE Corporation
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For the Year Ended September 30, 2020

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Part I

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



Report of Independent Auditors

To the Board of Trustees
The MITRE Corporation and its subsidiary

We have audited the accompanying consolidated financial statements of The MITRE Corporation and its subsidiary ("the Corporation"), which comprise the consolidated balance sheets as of September 30, 2020 and 2019, and the related consolidated statements of activities and of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Corporation's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The MITRE Corporation and its subsidiary as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended September 30, 2020 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and is not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2020 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended September 30, 2020. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "PricewaterhouseCoopers up". The signature is written in a cursive, flowing style.

Arlington, VA
December 18, 2020

The MITRE Corporation and Subsidiary
Consolidated Balance Sheets
As of September 30, 2020 and 2019

<i>(in millions)</i>	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 247.1	\$ 165.6
Accounts receivable, less allowance of \$0.6 and \$1.0 in 2020 and 2019, respectively	54.1	60.3
Unbilled costs and fees	143.8	172.0
Prepaid expenses and other current assets	14.0	12.8
Total current assets	<u>\$ 459.0</u>	<u>\$ 410.7</u>
Property and equipment, net	525.0	536.0
Investments	7.6	5.0
Other long-term assets	10.4	2.1
Total assets	<u>\$ 1,002.0</u>	<u>\$ 953.8</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 50.4	\$ 48.1
Accrued compensation and related expenses	178.6	150.1
Deferred revenue	36.6	42.8
Debt, short-term portion	8.3	8.3
Other current liabilities	2.8	4.8
Total current liabilities	<u>\$ 276.7</u>	<u>\$ 254.1</u>
Accrued benefits, long term	29.7	\$ 29.4
Debt, long-term portion	36.1	44.4
Other long-term liabilities	1.2	0.4
Total liabilities	<u>\$ 343.7</u>	<u>\$ 328.3</u>
Net assets without donor restrictions	658.3	625.5
Total liabilities and net assets without donor restrictions	<u>\$ 1,002.0</u>	<u>\$ 953.8</u>

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

The MITRE Corporation and Subsidiary
Consolidated Statements of Activities
For the years ended September 30, 2020 and 2019

<i>(in millions)</i>	2020	2019
Revenue from operations	\$ 1,927.5	\$ 1,836.7
Contract costs	1,661.2	1,582.7
General and Administrative	224.0	202.6
Operating Margin	<u>\$ 42.3</u>	<u>\$ 51.4</u>
Interest (income)/expense	3.0	(0.2)
Other (income)/expense	6.5	25.2
Change in net assets	<u>32.8</u>	<u>26.4</u>
Net assets without donor restrictions, beginning of year	<u>625.5</u>	<u>599.1</u>
Net assets without donor restrictions, end of year	<u>\$ 658.3</u>	<u>\$ 625.5</u>

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

The MITRE Corporation and Subsidiary
Consolidated Statements of Cash Flows
For the years ended September 30, 2020 and 2019

<i>(in millions)</i>	2020	2019
Cash flows from operating activities		
Changes in net assets	\$ 32.8	\$ 26.4
Adjustments to reconcile changes in net assets to net cash and cash equivalents provided by operating activities:		
Changes in reserves	(3.4)	(3.2)
Depreciation and amortization	52.4	49.9
Loss on disposal of property and equipment	4.5	0.3
Unrealized gain on foreign currency	(0.3)	(0.1)
Underfunded post-retirement health care plan	1.9	15.7
Changes in assets and liabilities:		
Accounts receivable, net	6.2	15.0
Unbilled costs and fees, net	28.2	(4.2)
Prepaid expenses and other current assets	(1.3)	(4.2)
Other long-term assets	(8.9)	(1.9)
Accounts payable and accrued expenses	8.4	5.6
Accrued compensation and related expenses	28.5	18.3
Deferred revenue	(6.2)	0.2
Accrued benefits	(2.2)	(0.1)
Other current liabilities	(1.9)	(0.3)
Other long-term liabilities	1.4	-
Net cash and cash equivalents provided by operating activities	<u>\$ 140.1</u>	<u>\$ 117.4</u>
Cash flows from investing activities		
Purchases of property and equipment	(48.3)	(43.7)
Purchases of investments	(2.4)	(0.6)
Sales of investments	0.4	1.0
Net cash and cash equivalents used in investing activities	<u>\$ (50.3)</u>	<u>\$ (43.3)</u>
Cash flows from financing activities		
Draws on revolving line of credit	190.5	-
Payments of revolving line of credit	(190.5)	-
Payments on notes payable	(8.3)	(8.3)
Net cash and cash equivalents used in financing activities	<u>\$ (8.3)</u>	<u>\$ (8.3)</u>
Net increase in cash and cash equivalents	81.5	65.8
Cash and cash equivalents at beginning of year	165.6	99.8
Cash and cash equivalents at end of year	<u>\$ 247.1</u>	<u>\$ 165.6</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest, net of amounts capitalized	\$ 4.4	\$ 1.7

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

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

1. Description of business and summary of significant accounting policies

Description of business

The MITRE Corporation (the “Corporation” or “MITRE”) is a private, not-for-profit corporation that is chartered in the public interest and provides systems engineering, research and development, and information technology support to the US federal government in order to solve some of the nation’s most critical challenges. The Corporation operates federally funded research and development centers (“FFRDCs”) for the Department of Defense (“DOD”), Federal Aviation Administration (“FAA”), Internal Revenue Service and Department of Veterans Affairs, Department of Homeland Security, Administrative Office of the US Courts, Centers for Medicare & Medicaid Services, and National Institute of Science and Technology.

During fiscal year 2015, MITRE established a branch in Singapore to help the country’s aviation authority to improve the safety, efficiency, and capacity of its aviation infrastructure. During the fiscal year 2017, MITRE established a not-for-profit branch in Australia as part of MITRE’s strategic effort to partner with the Commonwealth of Australia to serve as an objective, trusted advisor working in the Australian public interest.

During fiscal year 2019, MITRE Engenuity, Incorporated (“Engenuity” or “MITRE Engenuity”) was created as a private, not-for profit corporation chartered in the public interest and in order to provide research and development services to commercial customers in order to solve some of the nation’s most critical challenges. While Engenuity is a separate legal entity, financial information for Engenuity is consolidated under the Corporation and financial information is presented in these statements on a consolidated basis as such.

Under its bylaws, the Trustees of the Corporation have the power to dissolve the Corporation and wind up its affairs. In such a case, the remaining property and assets existing after the wind up would not inure to the benefit of any individual. A successor, charitable or not-for-profit corporation would be designated to take over all or substantially all the functions and purposes of the Corporation or, if none were so designated, a charitable or nonprofit corporation would be designated to be the recipient of any property or assets remaining after the wind up.

Fiscal year end

The Corporation’s fiscal year ends on September 30.

Basis of accounting

The Corporation’s consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and includes affiliated entities over which MITRE has economic control. All intercompany accounts and transactions have been eliminated in consolidation.

Reclassifications

The Corporation has reclassified its Statement of Activities to better represent the functional classifications of its expenses used for internal management purposes. As such, there is no footnote for the functional classification of expenses as it is represented in the Statement of Activities. Additionally, expenses related to activities unallowable for government reimbursement and expenses related to the Corporation’s post-retirement health benefit liability have been reflected in Other (Income)/Expenses. This reclassification has not resulted in a change to total revenue or expenses presented in the financial statements.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

Use of estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Concentration of credit risk

The Corporation's financial instruments which are exposed to concentrations of credit risk consist primarily of cash equivalents, accounts receivable and investments. The Corporation invests its excess cash equivalents in money market funds and maintains its investments with high-quality financial institutions. Management regularly monitors the investment composition and maturity. The Corporation limits the amount of credit exposure to any one financial institution or commercial issuer. The Corporation has not experienced any credit losses on its cash equivalents or investments. The accounts receivable are due predominantly from US government agencies or other prime contractors to such agencies.

Cash and cash equivalents

The Corporation considers all highly liquid money market investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable and unbilled costs and fees

Accounts receivable include amounts that have been billed under the Corporation's contracts. Unbilled costs and fees include amounts currently billable as well as other recoverable contract costs not yet billable under specific contract terms.

Unbilled costs and fees relating to long-term contracts are classified as current assets. Billings for advance payments in excess of costs and fees are included in deferred revenue (a current liability) until the earnings process is complete.

Payments for work performed on contracts sponsored by the US government are provisional and are subject to audit by the Defense Contract Audit Agency ("DCAA") and adjustment by the Corporate Administrative Contracting Officer ("CACO"). Audits through fiscal year 2017 have been completed and adjusted. The Corporation has recorded reserves of estimated net amounts to be refunded to customers for potential adjustments of open years for indirect cost audits and audits of compliance with US government Cost Accounting Standards.

Investments

Investments are reported at fair value as determined by quoted market prices. See Note 4 for the fair value disclosures.

Property and equipment

Property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses, if any. Maintenance and repairs are expensed as incurred. Improvements and additions that increase the operating functionality or extend the life of the related assets are capitalized. Upon retirement or sale of an asset, its cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the determination of the net revenue over costs and expenses.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

Depreciation and amortization are computed: (a) for buildings and building improvements using the straight-line method over useful lives of 5 to 39.5 years, (b) for vehicles using the double-declining-balance method over useful lives of 5 years, (c) for equipment using the half-year convention, straight-line method over useful lives of 5 to 10 years, (d) for furniture and fixtures using the straight-line method over useful lives of 10 years, (e) for computers using the half-year convention, straight-line method over useful lives of 2.5 or 3 years, and, (f) for leasehold improvements using the straight-line method over the shorter of the useful life of the asset or the lease term. Land is not depreciated (considered to have indefinite useful life).

In addition to the equipment purchased by the Corporation, which is included in the accompanying consolidated balance sheets, the Corporation also uses certain government-furnished equipment for which it is accountable to the US government.

Internal research and development

As part of its activities, the Corporation conducts an Internal Research and Development ("IR&D") program. The progress and outcome of this program is reviewed by the Technology Committee of the Board of Trustees. The costs of this program include salaries, fringe costs, overhead, and general and administrative costs and are charged to operations as incurred. These costs are classified as "General and Administrative" in the Statement of Activities. The Corporation records IR&D in the same manner as costs are defined in the Corporation's disclosure statements required by the US government Cost Accounting Standards.

Capitalized software costs

Eligible internally developed software costs are capitalized during the application development phase. This phase occurs after general research and development and preliminary project planning, but prior to the software being used in operations. Such costs may include costs related to design, coding and testing of software. After all substantial testing and deployment is completed and the software is ready for its intended use, any capitalized costs are amortized over the estimated useful life of the software and any additional costs are expensed as incurred.

Capitalized cloud software implementation costs

Eligible implementation costs associated with cloud-based services arrangements are capitalized during the application development stage. Such costs include internal salaries, fringe costs, and contractor costs. After all substantial testing and deployment is completed and the cloud-based arrangement is ready for its intended use, the capitalized implementation costs are amortized over the estimated term of the arrangement with the cloud service organization.

Book overdrafts

Under the Corporation's cash management system, checks issued but not presented to banks for payment (net book overdrafts) are classified with accounts payable and accrued expenses in the consolidated balance sheets.

Net assets

Apart from an immaterial amount of net assets with donor restrictions, MITRE's net assets are not subject to donor restrictions. However, there may be rare instances where a donor restriction may exist, and as such MITRE defines donor-restrictions as:

- Net assets without donor restrictions represents the accumulated excess of contract revenue and other income over total costs and expenses that are not subject to donor-imposed stipulations. As well, any donor-restricted contributions are reported in this category if the restrictions are met in the same time period as the contribution is received.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

- Net assets with donor restrictions for time or purpose, also known as temporary restrictions, are net assets subject to donor-imposed stipulations that will be met either by the actions of MITRE in accordance with those stipulations and/or by the passage of time.

MITRE does not have any assets with permanent donor restrictions (restrictions in perpetuity).

Revenue recognition

The Corporation generally performs on cost-type contracts sponsored by the US government and may receive contract fees (profit) in addition to reimbursement of contract costs. The Corporation records contract costs and fees as effort is expended. While the vast majority of revenue comes from exchange transactions, an immaterial amount of revenue may come from contributions. In such cases, consideration received is first analyzed to understand if it is a contribution. If it is not a contribution, then it is considered exchange and assessed using the 5-step model under ASC 606. Revenue is recorded on the basis of direct cost as incurred and contract fee based on proportional performance, under the right-to-invoice practical expedient available under ASC 606. MITRE's significant payment terms generally consist of invoices due every two weeks or monthly for our cost-reimbursable contracts. Direct costs and associated overhead and general and administrative expenses are recorded as incurred. When it is probable that a contract will result in a loss (generally only applicable to fixed-price contracts), and that loss can be reasonably estimated, the entire estimated loss is recognized in the consolidated statement of operations and changes in net assets. See Note 3 for additional revenue-related disclosures.

Income taxes

Under provisions of the US Internal Revenue Code Section 501(c)(3), the Corporation is exempt from taxes on income other than unrelated business income. The Tax Cuts and Jobs Act of 2017 created Sec. 512(a)(7) requiring tax-exempt employers to recognize unrelated business income related to employee qualified transportation fringe benefits. In 2019, H.R. 1865 repealed Sec. 512(a)(7) in its entirety, retroactive to the passage of the Tax Cuts and Jobs Act. MITRE paid unrelated business income tax of \$ 0.3M and \$ 0.4M respectively in fiscal years ending September 30, 2019 and September 30, 2020 due to Sec. 512(a)(7). In the fiscal year ended September 30, 2020, MITRE applied for a tax refund of \$ 0.7M. Since the Corporation has no unrelated taxable business income, no provision for income taxes was required for the fiscal year ended September 30, 2020.

2. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). For exchange transactions, this ASU will supersede the revenue recognition requirement in Topic 605, *Revenue Recognition*, as well as some industry-specific guidance. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU, as amended, is effective for annual reporting periods beginning after December 15, 2019. The Corporation has adopted the ASU for the year ending September 30, 2020 using the modified retrospective method. Financial information is presented in these statements in accordance with ASC 606. The Corporation evaluated the impact of the ASU adoption and determined that there was no material impact on the consolidated financial statements, given that the vast majority of the Corporation's revenue is derived from cost-reimbursed contracts, where use of the "right-to-invoice" practical expedient under ASC 606 results in no change in revenue from ASC 605 in that scenario.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU revises the accounting for operating leases and requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. This update also requires certain qualitative and specific quantitative disclosures. ASU 2016-02 does not significantly change the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee. The ASU is effective for fiscal years beginning after December 15, 2020. This effective date was extended to December 15, 2021 under ASU No. 2020-05. A nonpublic entity may elect to apply this guidance earlier. The Corporation has not yet elected not to early adopt the ASU but intends to do so for the year ended September 30, 2021. The Corporation is in the process of evaluating the impact on the consolidated financial statements of adopting the standard.

In March 2017, the FASB issued ASU No. 2017-07, *Retirement Benefits - Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (Topic 715). The ASU improves the presentation of net period pension and postretirement benefit costs.

The ASU is effective for fiscal years beginning after December 15, 2018 and thus is effect for FY20. The Corporation has implemented the ASU and disclosed key information related to net periodic post-retirement benefit cost in Note 9.

In June 2018, the FASB issued ASU No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides clarifying guidance on accounting for contributions and is effective for fiscal years beginning after December 15, 2018 and is in effect for the Corporation's FY20. The Corporation has implemented this ASU and follows the guidance in it when determining if transactions are contributions or exchange and recognizing revenue appropriately on contributions. See Note 1 above, "Revenue recognition" section for further details on how contributions are assessed.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General* (Subtopic 715-20). This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU is effective for fiscal years ending after December 15, 2021. A nonpublic entity may elect to apply the guidance earlier. The Corporation has elected not to early adopt the ASU.

In January 2020, the FASB issue ASU No. 2020-01 *Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*. This ASU provides clarification on investments in equity securities, equity method investments and joint ventures, and derivatives and hedging. This ASU is effective for fiscal years beginning after December 15, 2021. MITRE is has not elected to early adopt the ASU and is the ASU shall be adopted prospectively upon adoption.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

3. Revenue recognition

In accordance with ASC 606, the Corporation has disaggregated revenue according to the contract structure of the revenue-generating arrangements as well as the nature of the customers for the fiscal years ended September 30, 2020 and September 30, 2019 for comparative purposes. In fiscal 2020, the Corporation garnered an increase in contributions revenue as that revenue streams is part of the business model of MITRE Engenuity. The Corporation has elected not to disclose the transaction price allocated to remaining performance obligations as allowable under ASC 606-10-50-16.

Revenue recognized by contract type as of September 30, 2020 and 2019:

<i>(in millions)</i>	2020	2019
Cost-reimbursable	\$ 1,883.7	\$ 1,794.1
Firm fixed-price and time-and-materials	36.1	42.6
Contributions	7.7	-
	<u>\$ 1,927.5</u>	<u>\$ 1,836.7</u>

In addition, the Corporation may record Contract Assets and Contract Liabilities arising from delivery of contracts with customers. Typically, Contract Assets represent amounts earned through delivery of contracts but not yet billed to the customer (Unbilled costs and fees). These amounts not yet billed to the customer are not contingent on any event other than the passage of time until the next billing cycle. However, we additionally may have costs incurred prior to service delivery on contracts but required to fulfill the contract ("precontract costs"). Typically, Contract Liabilities represent amounts billed to customers but not yet earned via contract delivery (Deferred Revenue).

These balances consisted of the following:

<i>(in millions)</i>	2020	2019	Change
Contract Assets			
Unbilled receivables	\$ 143.8	\$ 172.0	\$ (28.2)
Precontract Costs	0.6	-	0.6
Contract Liabilities			
Deferred revenue	36.6	42.8	(6.2)

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

4. Fair value of financial instruments

The Corporation measures the fair value of its financial instruments using observable and unobservable inputs based on a hierarchy which gives the highest priority to assets and liabilities with readily available quoted prices on an active market and gives the lowest priority to unobservable inputs that require a higher degree of judgment when measuring fair value. In cases where inputs used to measure fair value fall into different categories within the fair value hierarchy, an investment's fair value is based on the lowest level of input that is significant to fair value measurement. There were no changes in methodology used between the fiscal years ended September 30, 2020 and 2019 and no transfers between categories. The three categories of the fair value hierarchy are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities as of the measurement date;

Level 2 – Quoted prices in markets that are not active or other pricing inputs that are either directly or indirectly observable as of the measurement date;

Level 3 – Prices or valuation techniques in which one or more significant value drivers are unobservable as of the measurement date. The determination of fair value for these financial instruments requires one or more inputs subject to significant management judgment or estimation

Items not subject to fair value reporting include cash deposits of \$116.0 million and \$10.2 million as of September 30, 2020 and 2019, respectively.

The carrying value of accounts receivable, unbilled costs and fees, accounts payable and accruals approximate their fair value.

The following estimates and assumptions were used to determine the fair value of each class of financial instrument held by the Corporation at September 30, 2020 and 2019:

Cash Equivalents – Money Market - Cash equivalents include, but are not limited to, investments in money market funds that are actively traded. These are priced by independent market prices in the primary trading market and are classified as Level 1.

Deferred Compensation Plan Assets:

Money market funds - Publicly-traded funds purchased to provide returns similar to those of portfolios of employees who are participating in the Corporation's deferred compensation plan. These assets are classified as Level 1.

Small capitalization funds - Include commingled mutual funds that invest in the stocks of companies with small market capitalizations. Mutual funds have daily quotes that were deployed to support observable data. These assets are classified as Level 1.

Bond mutual funds - Include commingled mutual funds that invest in investment grade bonds. These assets are classified as Level 1.

All other - Other mutual funds include but are not limited to commingled funds that track US and non-US index funds as well as invest in international equities. Mutual funds have daily quotes that were deployed to support observable data. These assets are classified as Level 1.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

Foreign Currency Contracts – Derivative financial instruments are comprised entirely of foreign exchange contracts entered into during the normal course of business. These derivatives are classified as Level 2.

The following table represents the Corporation's assets and liabilities that are measured at fair value by level within the hierarchy as of September 30, 2020:

<i>(in millions)</i>	Level 1	Level 2	Total
Assets:			
Investments			
Cash Equivalents - Money Market	\$ 131.2	\$ -	\$ 131.2
Deferred Compensation:			
Money Market	2.4	-	2.4
Small Cap	0.1	-	0.1
Bonds	0.6	-	0.6
All Other	2.9	-	2.9
Total Assets	<u>\$ 137.2</u>	<u>\$ -</u>	<u>\$ 137.2</u>
Liabilities:			
Foreign currency contracts	\$ -	\$ (0.2)	\$ (0.2)
Total Liabilities	<u>\$ -</u>	<u>\$ (0.2)</u>	<u>\$ (0.2)</u>

The following table represents the Corporation's assets and liabilities that are measured at fair value by level within the hierarchy as of September 30, 2019:

<i>(in millions)</i>	Level 1	Level 2	Total
Assets:			
Investments			
Cash Equivalents - Money Market	\$ 155.4	\$ -	\$ 155.4
Deferred Compensation:			
Money Market	2.0	-	2.0
Small Cap	0.5	-	0.5
Bonds	0.1	-	0.1
All Other	2.4	-	2.4
Total Assets	<u>\$ 160.4</u>	<u>\$ -</u>	<u>\$ 160.4</u>
Liabilities:			
Foreign currency contracts	\$ -	\$ (0.5)	\$ (0.5)
Total Liabilities	<u>\$ -</u>	<u>\$ (0.5)</u>	<u>\$ (0.5)</u>

There were no level 3 investments as of September 30, 2020 and 2019.

The net change in unrealized gains as of September 30, 2020 and 2019 related to investments in foreign currency contracts were gains of \$0.2 million and \$0.6 million, respectively.

Realized/unrealized losses included in net assets for the year ended September 30, 2020 and 2019 are reflected in the accompanying consolidated statement of activities.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

5. Cash

As of September 30, 2020, and 2019, net book overdrafts classified in accounts payable and accrued expenses were \$2.4 million and \$0.8 million, respectively.

6. Property and equipment

Property and equipment consisted of the following as of September 30, 2020 and 2019:

<i>(in millions)</i>	2020	2019
Land	\$ 61.5	\$ 61.5
Buildings and building improvements	604.6	592.6
Furniture, equipment and leasehold improvements	365.9	353.1
Construction in progress	14.7	6.8
Computer software	20.3	22.1
	<u>\$ 1,067.0</u>	<u>\$ 1,036.1</u>
Less accumulated depreciation and amortization	<u>(542.0)</u>	<u>(500.1)</u>
	<u>\$ 525.0</u>	<u>\$ 536.0</u>

Depreciation and amortization expense were \$52.4 million and \$49.9 million for the fiscal years ended September 30, 2020 and 2019, respectively.

7. Investments

Investments were as follows as of September 30, 2020 and 2019:

<i>(in millions)</i>	2020	2019
Rabbi Trust	\$ 5.9	\$ 5.0
WICKR, Inc.	0.6	-
SecureG	1.1	-
	<u>\$ 7.6</u>	<u>\$ 5.0</u>

The Corporation has a deferred-compensation plan invested in a Rabbi Trust for executive officers. Rabbi Trust assets are invested in Fidelity mutual funds, which invest primarily in stocks, bonds and money market accounts. Rabbi Trust investment increases and decreases are offset by increases and decreases in the liability (see Note 7). Unrealized investment gains/(losses) were \$0.4 million and \$(0.5) million for the fiscal years ended September 30, 2020 and 2019, respectively.

MITRE Engenuity made an initial investment in Wickr Inc. on May 5, 2020 and an additional investment purchase on June 22, 2020. Wickr Inc. is a for-profit Delaware C-Corporation. Wickr Inc. is a software company that offers organizations compliance controls and integrates into IT workflows to build systems that protect valuable, high-target data.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

MITRE Engenuity invested in SecureG Inc., which is a for-profit corporation. SecureG is a technology company that develops security technology for fifth-generation wireless services ("5G"). The investment is recorded and measured using the equity method using the voting interest entity method (see ASU 2018-17 in Footnote 2 above).

8. Debt

Senior unsecured notes

On May 29, 2013 the Corporation entered into an agreement with New York Life Insurance Company to purchase \$50 million in MITRE Senior Unsecured Notes ("Notes") and an uncommitted Master Note Facility ("MNF") to purchase up to an additional \$25 million. The \$50 million in Notes carry an interest rate of 3.08% per annum due monthly. Principal payments commenced on May 31, 2017 with a final maturity date of May 31, 2025. Under the MNF, on August 1, 2013, the Corporation exercised the option to borrow an additional \$25 million effective January 31, 2014 at

an interest rate of 3.99% per annum due monthly. Principal payments commenced on January 31, 2018 with a final maturity date of January 31, 2026.

Future principal payments on notes are as follows for the years ended September 30:

(in millions)

2021	\$	8.3
2022		8.3
2023		8.3
2024		8.3
Thereafter		11.2
Total	\$	<u>44.4</u>

Total interest expense (including capitalized interest) from the Notes was \$4.6 million and \$1.7 million for the fiscal years ended September 30, 2020 and 2019, respectively.

(in millions)

	2020	2019
Total interest expense	\$ 4.8	\$ 2.4
Interest capitalized	<u>(0.2)</u>	<u>(0.7)</u>
Net interest expense	<u>\$ 4.6</u>	<u>\$ 1.7</u>

Line of credit

Effective May 18, 2018 the Corporation entered into a five-year renewal of its committed revolving credit agreement ("Line of Credit"). Effective April 24, 2020, the Corporation amended its Line of Credit. Under the terms of the amendment, the revolving credit agreement allows for maximum borrowings of \$300 million for any time during the fiscal year and a \$25 million accordion. Under the amendment, the Corporation had up to \$300 million available at September 30, 2020. Based on varying leverage ratios, interest on borrowings under the line of credit varies based upon LIBOR, floor at 1.00% plus 1.65% up to 2.00% or the prime rate plus 0.65% to 1.00%, at the choice of the Corporation, with annual commitment fees ranging from 0.18% to 0.28% of the daily unused amount available. Interest on the prime loans is due monthly, and interest on LIBOR loans is due the earlier of the loan's maturity or three months after the original borrowing date, unless the Corporation defaults on a borrowing outstanding, in which case both principal and any unpaid interest is due immediately.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

Under the renewed agreement, the Corporation may issue letters of credit against the Line of Credit up to \$5 million. The Corporation had a total of \$2.5 million in letters of credit under the Line of Credit as of September 30, 2020. Letters of credit expire in November 2019 through September 2022. The Corporation had no borrowings outstanding under the Line of Credit as of September 30, 2020 and 2019.

Interest expense from the Line of Credit was \$3.2 million and \$0.5 million for the fiscal years ended September 30, 2020 and 2019, respectively.

Both the Notes and the Line of Credit contain certain restrictive covenants, most notably leverage ratio and minimum debt service coverage. In the opinion of management, as of September 30, 2020, the Corporation was in compliance with all covenants.

9. Employee benefit plans Employee retirement plan

The Corporation has a defined-contribution employee retirement program covering substantially all employees. Employees may elect to contribute a percentage of their annual base salary and the Corporation will contribute a percentage of the participant's base salary, subject to certain limits.

The Corporation contributed \$105.0 million and \$99.0 million to the plan for the fiscal years ended September 30, 2020 and 2019, respectively.

Deferred-compensation plan for officers

The Corporation has a deferred-compensation plan providing deferred compensation for executive officers. The cost of these benefits was \$0.7 million and \$0.6 million in 2020 and 2019, respectively. Plan assets, which are invested in a Rabbi Trust, were \$5.9 million and \$5.0 million as of September 30, 2020 and 2019, respectively. Accrued plan benefits of \$5.9 million and \$5.0 million were included in long-term accrued benefits as of September 30, 2020 and 2019, respectively.

Post-retirement health benefits

The Corporation sponsors a post-retirement Voluntary Employee Beneficiary Association ("VEBA") trust plan. The plan provides post-retirement health benefits terminating at age 65 and is contributory, with retiree contributions adjusted annually. A small group of grandfathered retirees have coverage until age 70. Effective January 1, 2016, new employees are no longer eligible for subsidized retiree medical coverage. The accounting for the plan anticipates future cost-sharing changes to the written plan that are consistent with the Corporation's expressed intent to maintain a fixed level of proportionate cost sharing between the Corporation and retirees. The current year estimates were based on census and claims data collected as of October 1, 2020.

The post-retirement health care plan is accounted for under the provisions of accounting for non-retirement, post-employment benefits topic of the Accounting Standards Codification. The Corporation recognized the unfunded portion of \$21.0 million in accrued benefits as of September 30, 2020 and the unfunded portion of \$23.0 million in accrued benefits as of September 30, 2019. The change in the unfunded status of the accumulated post-retirement benefit obligation is included as contract costs in the consolidated statement of activities. The change in the unfunded status is included in the consolidated statement of cash flows in the line item unfunded post-retirement health care plan. The decrease in the accumulated post-retirement benefit obligation for the fiscal year 2020 is \$1.9 million. The Corporation uses a 501(c)(9) Trust (the Trust) as a funding vehicle for plan assets. The Corporation did not fund the post retirement benefit plan in fiscal year 2020.

The MITRE Corporation and Subsidiary
Notes to the Consolidated Financial Statements
For the years ended September 30, 2020 and 2019

The net periodic post-retirement benefit cost for the years ended September 30, 2020 and 2019 consists of the following:

<i>(in millions)</i>	2020	2019
Service cost - benefits earned during the year	\$ 4.9	\$ 4.1
Interest cost on projected benefit obligation	2.4	3.1
Expected return on plan assets	(3.8)	(4.0)
Net Loss/ (Gain) amortized	<u>0.4</u>	<u>-</u>
Net period post-retirement benefit cost	<u>\$ 3.9</u>	<u>\$ 3.2</u>

The following table sets forth the plan's funded status as of September 30, 2020 and 2019 and the amount of accrued benefit cost recognized in the 2020 and 2019 consolidated financial statements:

<i>(in millions)</i>	2020	2019
Change in benefit obligation		
Projected benefit obligation at beginning of year	\$ 83.9	\$ 70.0
Service cost	4.9	4.1
Interest cost	2.4	3.1
Participant contributions	1.8	1.6
Actuarial gain	(1.6)	11.4
Benefits paid	<u>(5.2)</u>	<u>(6.3)</u>
Projected benefit obligation for services rendered to date, end of year	<u>\$ 86.2</u>	<u>\$ 83.9</u>
Change in plan assets		
Plan assets at fair value at beginning of year	\$ 60.8	\$ 62.7
Employer contribution	-	-
Actual return on plan assets	7.7	2.8
Participant contributions	1.8	1.6
Benefits paid	<u>(5.2)</u>	<u>(6.3)</u>
Plan assets at fair value at end of year	<u>\$ 65.1</u>	<u>\$ 60.8</u>
Funded status (accrued benefit cost)	<u>\$ (21.1)</u>	<u>\$ (23.1)</u>

The assumptions used in determining the projected benefit obligation are as follows:

	2020	2019
Discount rate at end of year	2.4%	3.0%
Expected return on plan assets during the year	6.5%	6.5%
Health care cost trend rates during the year	6.5%	7.8%

The discount rate assumption is based primarily on the results of a cash flow matching analysis which matches the future cash outflows to a yield curve based on the future expected performance of above average bonds. Benefit payments are discounted at the rates on the curve to determine the year-end obligation.

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

The assumed healthcare trend rate has a significant effect on the amounts reported for health-care plans. A one-percentage-point change in the assumed healthcare trend rate would have the following effect:

<i>(in millions)</i>	1-percentage-point increase	1-percentage-point decrease
Increase (decrease) in total service and interest cost components	\$ 0.9	\$ (0.8)
Increase (decrease) in postretirement obligation	8.4	(7.4)

Plan assets

The post-retirement health care plan's weighted-average asset allocation by asset category is as follows:

Asset Category	2020	2019
Equity Investments	64%	61%
Debt Investments	36%	39%
Total	<u>100%</u>	<u>100%</u>

The fundamental investment policies of the plan have been formulated so they balance the primary objectives of (1) achieving long-term growth sufficient to fund future obligations and (2) supporting the short-term requirement of meeting current benefit payments. Assets maintained under the plan are priced by independent market prices in the primary trading market and are classified as Level 1 investments.

Overall, the plan's policies have traditionally emphasized the maximization of long-term returns in a manner consistent with an asset base that consists of high quality investments as a means of enhancing capital preservation, is broadly diversified and generates a relatively high level of investment income in accordance with the level of risk incurred.

Cash Flows (unaudited)

Contributions

The Corporation did not fund the postretirement benefit plan in 2020 and does not intend to fund it in 2021.

Expected Future Benefit Payments

The following benefit payments reflect expected future service and are presented net of participant contributions. Benefit payments are expected to be paid as follows for the years ending September 30:

<i>(in millions)</i>		
2021	\$	4.8
2022		5.8
2023		6.2
2024		6.8
2025		7.3
Thereafter		<u>37.0</u>
Total	\$	<u>67.9</u>

The MITRE Corporation and Subsidiary

Notes to the Consolidated Financial Statements

For the years ended September 30, 2020 and 2019

Post-employment benefit plans

The Corporation provides certain post-employment disability health care benefits to former or inactive employees who are not retirees. The Corporation recorded reductions in expense related to post-employment benefits, as required by the post-employment benefit topic of the FASB Accounting Standards Codification, of \$0.3 million and \$1.0 million for the fiscal years ended September 30, 2020 and 2019, respectively. The Corporation's liability for post-employment benefits for the fiscal years ended September 30, 2020 and 2019 was \$0.7 million and \$1.0 million, respectively. The current portion of the Corporation's liability is included in other current liabilities of \$0.6 million and \$0.7 million for the fiscal years ended 2020 and 2019, respectively. The long-term portion of the Corporation's liability is included in accrued benefits of \$0.1 million and \$0.3 million for the fiscal years ended 2020 and 2019, respectively.

10. Commitments and contingences Litigation and claims

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

Lease obligations

The Corporation occupies office space and other facilities under operating leases with original terms in excess of one year. Future minimum payments on non-cancelable operating leases are as follows for the years ending September 30:

(in millions)

2021	\$	16.0
2022		16.4
2023		15.1
2024		12.7
2025		5.7
Thereafter		12.9
Total	\$	<u>78.8</u>

Total rent expense during the fiscal years ended September 30, 2020 and 2019 was \$14.6 million and \$14.3 million, respectively. Certain leases require, in addition to minimum payments, expenditures for additional fees based on property taxes, insurance and other charges. Certain leases are expected to be renewed or replaced at expiration.

11. Natural classification of expenses

The Corporation classifies contract costs and general & administrative (G&A) in the same manner as costs are defined in the Corporation's disclosure statements required by US government Cost Accounting Standards. The following table represents these costs summarized by their natural classification for the fiscal year ended September 30, 2020:

The MITRE Corporation and Subsidiary
Notes to the Consolidated Financial Statements
For the years ended September 30, 2020 and 2019

<i>(in millions)</i>	Contract Costs	General & Administrative	Interest (income)/expense	Other (income)/expense	Total
Salary and Wages	\$ 948.0	\$ 118.4	\$ -	\$ -	\$ 1,066.4
Benefits	406.6	3.5	-	-	410.1
Subcontractors	108.7	49.7	-	-	158.4
Depreciation and Amortization	47.1	0.1	-	-	47.2
Travel	18.1	8.8	-	-	26.9
Equipment	35.6	3.8	-	-	39.4
Utilities, Repairs, and Maintenance	28.8	1.5	-	-	30.3
Software	36.8	11.7	-	-	48.5
Professional Services	7.7	10.3	-	-	18.0
Memberships and Subscriptions	5.4	6.3	-	-	11.7
Taxes	7.4	0.0	-	-	7.4
Conference, Meetings, and Trainings	3.1	3.0	-	-	6.1
Supplies	7.1	4.4	-	-	11.5
Miscellaneous	0.8	2.5	3.0	6.5	3.3
Total Expenses	<u>\$ 1,661.2</u>	<u>\$ 224.0</u>	<u>\$ 3.0</u>	<u>\$ 6.5</u>	<u>\$ 1,894.7</u>

The following table represents the Corporation's contract costs and G&A expenses summarized by their natural classification for the fiscal year ended September 30, 2019:

<i>(in millions)</i>	Contract Costs	General & Administrative	Interest (income)/expense	Other (income)/expense	Total
Salary and Wages	\$ 888.1	\$ 107.3	\$ -	\$ -	\$ 995.4
Benefits	390.0	7.0	-	-	397.0
Subcontractors	108.4	28.0	-	-	136.4
Depreciation and Amortization	45.3	0.1	-	-	45.3
Travel	36.7	20.1	-	-	56.8
Equipment	28.8	2.3	-	-	31.1
Utilities, Repairs, and Maintenance	25.0	1.8	-	-	26.8
Software	31.9	6.2	-	-	38.1
Professional Services	4.8	15.0	-	-	19.8
Memberships and Subscriptions	6.2	5.8	-	-	12.0
Taxes	7.3	-	-	-	7.3
Conference, Meetings, and Trainings	4.7	5.3	-	-	10.0
Supplies	5.6	2.9	-	-	8.6
Miscellaneous	(0.1)	0.8	(0.2)	25.2	0.7
Total Expenses	<u>\$ 1,582.7</u>	<u>\$ 202.6</u>	<u>\$ (0.2)</u>	<u>\$ 25.2</u>	<u>\$ 1,810.2</u>

The MITRE Corporation and Subsidiary
Notes to the Consolidated Financial Statements
For the years ended September 30, 2020 and 2019

12. Liquidity and availability

As of September 30, 2020 and 2019, financial assets, and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, consists of the following:

(in millions)

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 247.1	\$ 165.6
Accounts receivable, net	55.8	60.3
Unbilled costs and fees	143.8	172.0
Total financial assets available within one year	<u>\$ 446.7</u>	<u>\$ 397.9</u>
Liquidity resources:		
Line of credit	<u>\$ 300.0</u>	<u>\$ 210.0</u>
Total financial assets and liquidity resources available within one year	<u>\$ 746.7</u>	<u>\$ 607.9</u>

To manage liquidity, the Corporation maintains a line of credit that is drawn upon as necessary during the year to manage cash flows. Refer to Note 8 for additional details.

13. COVID-19 Pandemic

The COVID-19 pandemic has impacted the global economy since mid FY20. The Corporation specifically has not seen significant economic hardship even though many large U.S. corporations have seen significant adverse impacts. The Corporation has avoided this hardship as the nature of the Corporation's business is tied to federally funded amounts from U.S. Government sponsors, and these sponsors have not seen significant budget cuts. As well, the Corporation has been well positioned to provide services of benefit to the U.S. Government in its effort to mitigate the impact of the pandemic, such as health research services.

14. Subsequent events

The Corporation has evaluated its September 30, 2020 consolidated financial statements for subsequent events through December 18, 2020 which is the date the consolidated financial statements were available to be issued, noting no subsequent events which require recognition or disclosure in the consolidated financial statements.

Schedule of Expenditures of Federal Awards

The MITRE Corporation

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2020

<u>Research and Development Cluster</u>	<u>Federal Grantor</u>	<u>CFDA</u>	<u>Direct Expenditures</u>	<u>Passthrough Expenditures</u>	<u>Pass Through Grantor (Pass Through Award No.)</u>	<u>Federal Expenditures</u>	<u>Passed to Subrecipients</u>
National Security Engineering Center FFRDC							
DG-133E-12-CQ-0029/T 0004-0008	Department of Commerce - NOAA	11.RD	\$ 10,721	\$ -		\$ 10,721	\$ -
FA8702-13-C-0001 through 19-C-0001, FA8721-11-C-0001, 17-D-0211-0001 through 0024,W15P7T-04-C-D001-13-C-A802,FA8702-20-C-0001,W56KGU19F004	Department of Defense	12.RD	956,088,874	-		956,088,874	-
SAQMMA13C0255,SAQMMA09C0021	Department of State	19.RD	(1,873)	-		(1,873)	-
NNH16PB26P, 1469581	National Aeronautics and Space Administration	43.RD	(1)	59,914	Jet Propulsion Laboratory (1469581)	59,914	-
1233381, 2096769\0001	Department of Energy	81.RD	-	125,481	Sandia National Laboratory (DE-AC04-94AL85000)	125,481	-
HSSS01-12-C-0010	Department of Homeland Security- U.S. Secret Service	97.RD	832	-		832	-
CLASSIFIED	USGC/Special Projects (Classified)	99.RD	185,361,618	-		185,361,618	-
Total National Security Engineering Center FFRDC						\$ 1,141,645,566	
National Institute of Standards and Technology FFRDC							
SB1341-14-CQ-0010;333ND19FNB775321	Department of Commerce - NIST	11.RD	\$ 23,544,361	\$ -		\$ 23,544,361	\$ -
Total National Institute of Standards and Technology FFRDC						\$ 23,544,361	
Center for Advanced Aviation System Design FFRDC							
FAA-0080-10/11, FAA-0080-11	Department of Transportation - Federal Aviation Administration	20.RD	\$ 160,733,505	\$ -		\$ 160,733,505	\$ -
Total Center for Advanced Aviation System Design FFRDC						\$ 160,733,505	

The MITRE Corporation

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2020

<u>Research and Development Cluster</u>	<u>Federal Grantor</u>	<u>CFDA</u>	<u>Direct Expenditures</u>	<u>Passthrough Expenditures</u>	<u>Pass Through Grantor (Pass Through Award No.)</u>	<u>Federal Expenditures</u>	<u>Passed to Subrecipients</u>
Center for Enterprise Modernization FFRDC							
TIRNO99D00005, SAQMMA16-17, 2016000771, QPN-BQF, CORHQ-17	Department of the Treasury - IRS	21.RD	\$ 118,776,125	\$ -		\$ 118,776,125	\$ -
4600005243-AEROSP	National Aeronautics and Space Administration	43.RD	-	435,946	Aerospace Corporation (NNG11VHOOB)	435,946	-
NCUA-17-C-00034	National Credit Union Administration	44.RD	-	-		-	-
VA118A13D0037, VA118A15D0004	Veterans Administration	64.RD	71,025,925	-		71,025,925	-
SB1341-14-CQ-0010,333ND19FNB775321	Department of Energy	81.RD	170,104	-		170,104	-
Total Center for Enterprise Modernization FFRDC						\$ 190,408,101	
Homeland Security Systems Engineering & Development Institute FFRDC							
HSHQDC09D0001, HSHQDC14D00006, HSHQDN16J, HSHQDC17J, HSBP1017,RAND-9920190028-29	Department of Homeland Security	97.RD	\$ 135,713,496	\$ -		\$ 135,713,496	\$ -
Total Homeland Security Systems Engineering & Development Institute FFRDC						\$ 135,713,496	
Centers for Medicare and Medicaid Services FFRDC							
HHSM500201200008I	Department of Health and Human Services	93.RD	\$ 228,162,388	\$ -		\$ 228,162,388	\$ -
Total Centers for Medicare and Medicaid Services FFRDC						\$ 228,162,388	
Judiciary Engineering and Modernization Center FFRDC							
USCA16F, USCA17F, USCA18F, USCA19F,USCA20F	Administrative Office of the United States Courts	16.RD	\$ 6,707,708	\$ -		\$ 6,707,708	\$ -
Total Judiciary Engineering and Modernization Center FFRDC						\$ 6,707,708	
Total FFRDC expenditures						\$ 1,886,915,124	
Non - FFRDC Contracts							
HQ0034-14-D-0009, HQ003417F, HQ003418F	Office of the Undersecretary of Defense-JASON Program Office	12.RD	\$ 7,348,563	\$ -		\$ 7,348,563	\$ -
Total Non - FFRDC Contracts						\$ 7,348,563	
Total Research and Development Cluster						\$ 1,894,263,687	
Total Federal Expenditures			\$ 1,893,642,345	\$ 621,342		\$ 1,894,263,687	\$ -

The MITRE Corporation

Notes to the Schedule of Expenditures of Federal Awards

For the year ended September 30, 2020

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the federal expenditures of the Corporation to perform research and development activities for the federal government for the year ended September 30, 2020. The amounts reported as federal expenditures were obtained from the Corporation's general ledger. Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, the results of its operations and its cash flows of the Corporation.

The Corporation has one program, Research and Development, and awards have been classified under that program in accordance with the provisions of the Office of Management and Budget Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. The Schedule includes all contracts and grants awarded to the Corporation under its program by agencies and departments of the federal government.

Full CFDA and pass through numbers are not available for all grants and contracts on the Schedule.

2. Summary of Significant Accounting Policies

For the purpose of the Schedule, expenditures for federal award programs are recognized on the accrual basis of accounting. MITRE utilizes billing rates that have been negotiated with the Corporate Administrative Contracting Office (CACO) and did not elect to use the 10% de minimis rate as covered in §200.414 Indirect (F&A) costs.

3. Other Contracts

The Corporation has \$185,361,618 of classified contracts, of which \$79,615,592 is included in the population of awards covered by this Uniform Guidance report. The remaining amount of \$105,746,026 can only be audited by sponsoring agencies due to the classified nature of the awards and are therefore not included in this Uniform Guidance report.

Part II

Reports on Compliance and Internal Control



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

To the Board of Trustees
The MITRE Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the MITRE Corporation and its subsidiary (the "Corporation"), which comprise the consolidated balance sheets as of September 30, 2020, and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions



was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "PricewaterhouseCoopers up". The signature is written in a cursive, flowing style.

Arlington, VA
December 18, 2020



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

To the Board of Trustees
The MITRE Corporation

Report on Compliance for Each Major Federal Program

We have audited the MITRE Corporation's (the "Corporation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended September 30, 2020. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

The Corporation's schedule of expenditures of federal awards includes classified contracts, of which \$105,746,026 of expenditures is excluded from the scope of our audit procedures. Our audit, described below, did not include these classified contracts because these contracts can only be audited by sponsoring agencies due to the classified nature of the awards.

Auditors' Responsibility

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

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



Opinion on Each Major Federal Program

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

The Corporation's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Corporation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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



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

PricewaterhouseCoopers up

Arlington, VA
April 8, 2021

Part III
Findings

Schedule of Findings and Questioned Costs

The MITRE Corporation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

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

Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of OMB Uniform Guidance?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
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Identification of major programs: Major Program(s) Research and Development Cluster	CFDA Number(s) Various	
Dollar threshold used to distinguish between type A and type B programs:	\$5,682,791	
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

The MITRE Corporation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Section II – Financial Statement Findings

There are no matters to be reported.

Section III – Federal Award Findings and Questioned Costs

Finding 2020-001: Classified Contracts

Federal Agency: **Classified**

Program: **Research and Development Cluster**

CFDA#: **99.CLASSIFIED**

Contract Number(s): **Classified**

Contract Year(s): **October 1, 2019 to September 30, 2020**

Criteria

AICPA Statements of Auditing Standards AU-C Section 705.13

Condition

The engagement team was unable to access and review the Statements of Work related to classified contracts with total expenditures of \$105,746,026 for the year ended September 30, 2020. As a result, we did not have sufficient documentation supporting the applicable types of compliance requirements as described in the OMB Compliance Supplement. We were not able to satisfy ourselves as to the Corporation's compliance with those requirements by other auditing procedures.

Insufficient access to classified contracts is a repeat finding noted in prior years.

Questioned Costs

Due to lack of sufficient review of these classified contracts, we are unable to determine whether or not there are any questioned costs associated with the related statements of work.

Cause

Each applicable federal funding agency has categorized the Statements of Work associated with these contracts as classified and not allowed PwC to access and review them.

Effect

Due to the lack of access to the Statements of Work, we are unable to obtain appropriate evidence over certain compliance requirements as a result of this limitation.

Recommendation

We recommend that the Corporation work with the DoD Inspector General and its funding agencies to resolve this matter and develop an audit plan to ensure compliance with audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Management's Views and Corrective Action Plan

Refer to Management's Views and Corrective Action Plan at the end of the report.

The MITRE Corporation
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020

Finding 2020-002: Equipment and Real Property Management

Federal Agency: Department of Defense

Program: Research and Development Cluster

CFDA#: 12.RD

Contract Number(s): W56KGU-18-D-0004

Contract Year(s): October 1, 2019 to September 30, 2020

Criteria

As established in the OMB Guidance, CFR section 200.313 paragraph D, Management must have procedures in place for managing equipment. These procedures include the following minimum requirements: property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

Condition

PwC selected a sample of twenty-five assets acquired with federal funds for equipment and real property management. One asset, property ID #AR100078 – Dell Monitor, was not located in the location specified on the asset listing.

Questioned Costs

No questioned costs identified as PwC was ultimately able to inspect the asset in another location at the client site.

Cause

The asset was moved from its original location and MITRE did not appropriately update the property database to ensure the current location of the asset was accurate.

Effect

MITRE's property database was not accurate for the location of this asset. Inaccurate listings of federally funded assets could hinder MITRE's ability to ensure assets are appropriately safeguarded and maintained as required by federal regulations.

Recommendation

We recommend management educate staff on the equipment policy, with a specific emphasis on updating locations of assets if they are moved from their original location.

Management's Views and Corrective Action Plan

Refer to Management's Views and Corrective Action Plan at the end of the report.

Summary Schedule of Prior Audit Findings

The MITRE Corporation

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2020

As required by the Uniform Guidance section 200.511, Audit Findings Follow-up, below is a summary listing of prior year(s) audit findings and questioned costs, organized in reverse chronological order, including original reference number. Also included is a status update, named coordinator and estimated completion date.

2019-001 Classified Contracts:

The engagement team was unable to access and review the Statements of Work related to classified contracts with total expenditures of \$128,867,906 for the year ended September 30, 2019. As a result, we did not have sufficient documentation supporting the applicable types of compliance requirements as described in the OMB Compliance Supplement. We were not able to satisfy ourselves as to the Corporation's compliance with those requirements by other auditing procedures.

Due to the lack of access to the Statements of Work, we are unable to obtain appropriate evidence over certain compliance requirements as a result of this limitation.

Action Plan: Refer to Management's Views and Corrective Action Plan at the end of the report.

2018-001 Classified Contracts:

The engagement team was unable to access and review the Statements of Work related to classified contracts with total expenditures of \$133,050,712 for the year ended September 30, 2018. As a result, we did not have sufficient documentation supporting the applicable types of compliance requirements as described in the OMB Compliance Supplement. We were not able to satisfy ourselves as to the Corporation's compliance with those requirements by other auditing procedures.

Due to the lack of access to the Statements of Work, we are unable to obtain appropriate evidence over certain compliance requirements as a result of this limitation.

Action Plan: Refer to Management's Views and Corrective Action Plan at the end of the report.

2017-001 Classified Contracts:

The engagement team was unable to access and review the Statements of Work related to classified contracts with total expenditures of \$127,252,472 for the year ended September 30, 2017. As a result, we did not have sufficient documentation supporting the applicable types of compliance requirements as described in the OMB Compliance Supplement. We were not able to satisfy ourselves as to the Corporation's compliance with those requirements by other auditing procedures.

Due to the lack of access to the Statements of Work, we are unable to obtain appropriate evidence over certain compliance requirements as a result of this limitation.

Action Plan: Refer to Management's Views and Corrective Action Plan at the end of the report.

2016-001 Classified Contracts:

The engagement team was unable to access and review the Statements of Work related to classified contracts with total expenditures of \$117,360,886 for the year ended September 30, 2016. As a result, we did not have sufficient documentation supporting the applicable types of compliance requirements as described in the OMB Compliance Supplement. We were not able to satisfy ourselves as to the Corporation's compliance with those requirements by other auditing procedures.

Due to the lack of access to the Statements of Work, we are unable to obtain appropriate evidence over certain compliance requirements as a result of this limitation.

Action Plan: Refer to Management's Views and Corrective Action Plan at the end of the report.

The MITRE Corporation

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2020

2015-001 Time Between Assignment Labor:

DCAA questioned \$925,732 of claimed indirect labor charged to project codes designated for employee activities while between direct assignment on the basis of reasonability.

Updated Status: This item is expected to be discussed and negotiated with the Government

- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-002 Dues and Memberships (Sub-Account 1320):

DCAA questioned \$201,369 of claimed professional and consulting expenses as unallowable expenses.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-003 Employee Relations Expenses (Sub-Account 1405):

DCAA questioned \$34,414 of claimed Employee Relations Expenses and directly associated costs as unreasonable and/or unallowable expenses.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-004 Interview Costs (Sub-Account 1530):

DCAA questioned \$241,000 of claimed Interview Costs as unreasonable and/or unallowable expenses.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-005 Meeting Expenses (Sub-Account 8057):

DCAA questioned \$31,941 of claimed Meeting Expenses as unreasonable and/or unallowable expenses.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-006 Administrative Expenses (Sub-Account 8068):

DCAA questioned \$96,473 of claimed Administrative Expenses and directly associated costs as unreasonable and/or unallowable expenses.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-007 Excessive Travel (Sub-Account 1610):

DCAA questioned \$1,309,904 of Travel Costs as unreasonable in accordance with FAR 31.201-3, Determining Reasonableness.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

The MITRE Corporation

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2020

2015-008 Underutilized Facilities - Occupancy:

DCAA questioned \$2,760,011 of occupancy costs pertaining to underutilization of facilities.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-009 Lump Sum Merit (Subaccount 1450):

DCAA questioned \$226,949 of the claimed Lump Sum Merit (LSM) payments, as unallowable and unallocable to Government contracts.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-010 Excess of Lowest Price Fare (Subaccount 1610):

DCAA questioned \$364,065 of the claimed travel costs as unallowable per DCAA interpretation of FAR 31.205-46.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-011 Gallup, Inc (Subaccount 2440):

DCAA questioned \$498,333 of claimed Gallup expenses as a component of the subcontract expenses as unallowable and/or unreasonable expenses.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-012 IR&D - CAS 420:

DCAA recommended transfer and reallocation of IR&D \$4,292,596 costs between segments, and questioned \$2,861,620 as being unallowable per specific agency supplement.

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Mark Patrick, Patrick Hughes
- Completion Date: Closed

2015-013 Internal Control over Signature Authorizations:

MITRE policy permits senior level management (Level 3 and above) to self-approve per-diem over published rates. The volume of such approvals historically is very small. DCAA contends a segregation of duties internal control weakness exists. (Same as prior year findings: 2014-18 2013-18, 12-N, 11-N and 10-S)

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Bob Guardino, Patrick Hughes
- Completion Date: Closed

The MITRE Corporation
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2020

2015-015 Internal Control Deficiency – Preapproval of Travel:

MITRE travel policy requires pre-approval of travel. Project leaders, who are responsible for the the cost, schedule, and technical aspects of a project, can self-approve travel on projects for which they are the project leader. DCAA contends an internal control weakness exists. (Same as prior year findings: 2014-13 2013-12, 12-M, and 11-M)

- Updated Status: This item is expected to be discussed and negotiated with the Government
- Issue Coordinator: Bob Guardino, Patrick Hughes
- Completion Date: Closed

2015-016 Classified Contracts:

The engagement team was unable to access and review the Statements of Work related to the classified contracts and as a result did not have sufficient documentation supporting the applicable types of compliance requirements as described in the OMB Compliance Supplement. We were not able to satisfy ourselves as to the Corporation's compliance with those requirements by other auditing procedures.

Due to the lack of access to the Statements of Work, we are unable to obtain appropriate evidence over certain compliance requirements as a result of this limitation.

Action Plan: Refer to Management's Views and Corrective Action Plan at the end of the report.

Management's Views and Corrective Action Plans

View of Responsible Officials:

Auditor access to MITRE's classified contracts has been an ongoing audit finding. Contracts for work performed for several of MITRE's classified customers contain specific language that prohibits MITRE from releasing any contractual data, including the name of the customer, without express written consent from the Contracting Officer. Due to the lack of access to the classified Statements of Work, PwC is unable to obtain appropriate evidence over certain compliance requirements. MITRE has worked to gain this consent; however, the classified customers have each time denied our requests.

Because MITRE lacks the regulatory authority provided to the cognizant agency by the OMB, MITRE is unable to remove the access restrictions to secure the Uniform Guidance program review. MITRE has worked with DCAA, PwC, and the DoD. MITRE has requested DoD, as the cognizant agency, to take steps to work with MITRE and OMB to find a suitable resolution to this concern. In MITRE management's view, resolution of this issue is not likely, and this will remain an ongoing issue.

MITRE management agrees with the PwC finding that a sample item of property was not in the physical location indicated in our property database. MITRE management updated the property database to reflect the correct location. MITRE management has educated the employee responsible on the appropriate procedures for updating the property databases. For MITRE as a whole, MITRE will launch an initiative in FY21 called "Where and How We Work," which will impact the physical space used by MITRE employees as well as property used by the employees. This initiative will be rolled out with multiple MITRE-wide communications, training sessions, and Q&A sessions, which will help educate the broader MITRE populace on appropriate maintenance of property records, among other topics.

As well, MITRE will complete a company-wide internal property inventory in FY21. This inventory will help to ensure better compliance with property requirements. Any instances of incorrect property location identified during the inventory will be targeted for remediation prior to FY21-end.

Sincerely



Mark D. Patrick
Senior Manager, Government Compliance
The MITRE Corporation