

SRI International

E.I.N. #941160950

**Reports on Consolidated Financial Statements and
Federal Award Programs in Accordance with
OMB Uniform Guidance**

December 30, 2022 and December 25, 2021

SRI International
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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
SRI International

Report on the financial statements**Opinion**

We have audited the consolidated financial statements of SRI International and subsidiaries (a nonprofit organization) ("SRI") which comprise the consolidated statement of financial position as of December 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of SRI as of December 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matter

The financial statements of SRI International and subsidiaries as of December 25, 2021, and for the year then ended were audited by other auditors. These auditors expressed an unmodified opinion on those financial statements in their report dated May 6, 2022.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SRI and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of matter

As discussed in Note 1 to the consolidated financial statements, SRI has adopted new accounting guidance in its 2022 financial statements related to the accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 SRI'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SRI'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.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included 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 US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2023, on our consideration of SRI'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. 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 SRI's 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 SRI's internal control over financial reporting and compliance.



San Jose, California

June 30, 2023 (except for the Schedule of Expenditures of Federal Awards, for which the date is August 11, 2023)

SRI International and Subsidiaries
Consolidated Balance Sheets
December 30, 2022 and December 25, 2021

<i>(in thousands of dollars)</i>	2022	2021
Assets		
Current assets		
Cash and cash equivalents	\$ 34,568	\$ 29,636
Restricted cash and cash equivalents	7,074	942
Investments	34,187	26,772
Receivables, net	83,323	119,337
Inventory	7,702	5,221
Prepaid expenses and other assets	9,509	8,786
Total current assets	176,363	190,694
Property and equipment, net	114,569	117,451
Deferred income taxes	6,275	6,347
Operating lease right-of-use assets	12,942	-
Other noncurrent assets	20,112	17,935
Total assets	<u>\$ 330,261</u>	<u>\$ 332,427</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 66,595	\$ 61,616
Client advances and credits	17,359	22,071
Current portion of capital lease obligations	6,441	-
Current installments of long-term debt	1,974	5,403
Total current liabilities	92,369	89,090
Long-term debt, excluding current installments	14,148	16,122
Deferred income taxes	-	-
Operating lease liabilities, net of current portion	8,124	-
Other noncurrent liabilities	21,346	27,991
Total liabilities	135,987	133,203
Commitments and contingencies (Note 14)		
Net assets without donor restrictions	194,274	199,224
Total liabilities and net assets	<u>\$ 330,261</u>	<u>\$ 332,427</u>

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

SRI International and Subsidiaries
Consolidated Statements of Activities
Years Ended December 30, 2022 and December 25, 2021

<i>(in thousands of dollars)</i>	2022	2021
Project revenue	\$ 379,919	\$ 406,568
Royalty revenue	<u>38,989</u>	<u>5,971</u>
Net revenue	418,908	412,539
Direct project costs	<u>(190,301)</u>	<u>(206,515)</u>
Excess of net revenue over direct project costs	<u>228,607</u>	<u>206,024</u>
Indirect expenses		
Salaries, wages, and benefits	133,100	130,844
Property and equipment	35,421	37,716
Materials, services, travel, and other	60,458	38,108
Internal research programs	<u>7,346</u>	<u>8,209</u>
Total indirect expenses	<u>236,325</u>	<u>214,877</u>
Other income (expense)		
Interest income	1,215	638
Interest expense	(780)	(427)
Stanford University separation expense	(1,494)	(1,460)
Realized gain (loss) on investments	(9)	7,719
Other, net	<u>5,793</u>	<u>747</u>
Total other income (expense)	<u>4,725</u>	<u>7,217</u>
Loss from operations	(2,993)	(1,636)
Unrealized gain (loss) on investments	<u>(1,597)</u>	<u>(863)</u>
Loss before income taxes	(4,590)	(2,499)
Income tax benefit (expense)	<u>(360)</u>	<u>1,359</u>
Change in net assets without donor restrictions	(4,950)	(1,140)
Net assets without donor restrictions		
Beginning of year	199,224	200,404
Foreign currency translation loss	<u>-</u>	<u>(40)</u>
End of year	<u>\$ 194,274</u>	<u>\$ 199,224</u>

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

SRI International and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 30, 2022 and December 25, 2021

<i>(in thousands of dollars)</i>	2022	2021
Cash flows from operating activities		
Change in net assets	\$ (4,950)	\$ (1,140)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Equity in earnings of affiliates	-	(3)
Depreciation and amortization	16,628	16,277
Provision for doubtful accounts and indirect rate reserve	482	3,880
Loss on investments	1,768	748
Unrealized gain from investment in affiliates	(2,543)	-
Loss on sale/disposal of property and equipment	5	1,406
Change in deferred income tax	72	(1,935)
Changes in operating assets and liabilities		
Receivables, net	35,532	(16,267)
Inventory	(2,481)	893
Prepaid expenses and other assets	(632)	215
Other noncurrent assets	(631)	6,344
Accounts payable and accrued expenses	5,230	(3,295)
Client advances and credits	(5,162)	437
Operating lease assets and liabilities, net	1,623	-
Other noncurrent liabilities	(6,645)	1,734
Net cash provided by operating activities	<u>38,296</u>	<u>9,294</u>
Cash flows from investing activities		
Purchase of investments	(15,560)	(13,496)
Sale and maturity of investments	5,295	14,759
Capital expenditures	(11,378)	(18,459)
Sale of property and equipment	-	5
Other investing activities	(200)	(900)
Net cash used in investing activities	<u>(21,843)</u>	<u>(18,091)</u>
Cash flows from financing activities		
Proceeds from line of credit	-	-
Principal payments of long-term debt	(5,389)	(1,801)
Net provided by (cash used) in financing activities	<u>(5,389)</u>	<u>(1,801)</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	11,064	(10,598)
Cash, cash equivalents, and restricted cash		
Beginning of year	<u>30,578</u>	<u>41,176</u>
End of year	<u>\$ 41,642</u>	<u>\$ 30,578</u>
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest, net of amount capitalized	\$ 826	\$ 520
Income taxes	394	457
Change in accounts payable related to capital expenditures	251	94
Change in client advances and credits related to other noncurrent assets	450	450

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

SRI International and Subsidiaries

Notes to Consolidated Financial Statements

December 30, 2022 and December 25, 2021

(in thousands of dollars, unless otherwise noted)

1. Nature of Organization and Summary of Significant Accounting Policies

Description of Business

SRI International and its subsidiaries ("SRI") include the parent company ("SRI International") and Ravenswood Solutions. SRI International is a non-profit, independent research and innovation organization serving government and industry by providing basic and applied research, laboratory and advisory services, technology development and licenses, deployable systems, products, and venture opportunities. The U.S. government, foreign governments, and some of the world's largest companies have been long-standing, major clients of SRI. SRI is headquartered in Menlo Park, California, with facilities in Arlington and Harrisonburg, Virginia; Princeton, New Jersey; Ann Arbor, Michigan; Boulder, Colorado and other offices throughout the United States and overseas.

Effective fiscal year 2022, SRI adopted 12 periods fiscal year which ends on last Friday of December. Fiscal year 2022 ended on December 30, 2022 and included 53 weeks of operation. Fiscal year 2021 ended on December 25, 2021 and included 52 weeks of operations. Ravenswood Solutions uses a fiscal year that ends on December 31.

Ravenswood Solutions

Ravenswood Solutions, a Delaware corporation, is a for-profit, wholly owned subsidiary which owns two foreign subsidiaries. Ravenswood Solutions and its wholly owned subsidiaries provide military, homeland defense and other government and commercial organizations with market-leading technology and services for collective training, test and evaluation, performance assessment and policy analysis exercises. Ravenswood Solutions and its subsidiaries are included in SRI's consolidated financial statements.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and include the accounts of SRI International and its subsidiaries. All material intercompany balances and transactions have been eliminated in the consolidated financial statements.

Investments in other affiliated companies over which SRI has significant influence are accounted for on the equity method and are reflected as other noncurrent assets.

Net Assets Without Donor Restrictions

Revenue is reported as an increase in net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets. Gains or losses on investments and other assets or liabilities are reported as increases or decreases in net assets unless their use is restricted by explicit donor stipulation or by law.

Net Assets with Donor Restrictions

Net assets with donor restrictions are net assets that are subject to donor-imposed restrictions that expire with specific actions to be undertaken by SRI and/or the passage of time. Upon the satisfaction of donor-imposed stipulations and/or the passage of time, the associated net assets are released from the donor restricted classification and recognized as net assets without donor restrictions. As of December 30, 2022 and December 25, 2021, donor restricted net assets are immaterial. Further, net assets are not subject to additional limitations such as internal board designations or significant limits resulting from contractual agreements.

SRI International and Subsidiaries

Notes to Consolidated Financial Statements

December 30, 2022 and December 25, 2021

(in thousands of dollars, unless otherwise noted)

Measure of Operations

SRI considers all revenue and expenses related to operations except unrealized gains or losses from investments and unrealized gains or losses from investments in affiliates.

Revenue and Receivables

On December 30, 2018, SRI adopted ASC 606, *Revenue from Contracts with Customers* and ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). Project revenue consists principally of services performed from contracts with the U.S. government, state and local governments, private foundations and subcontracts with other contractors engaged in such work. SRI performs services under various types of contracts, including cost reimbursable, fixed-price, time-and-materials, and grants.

SRI analyzes all agreements to determine if the transaction meets the definition of an exchange or nonexchange transaction. Exchange transactions are transactions in which commensurate value is exchanged and there is a reciprocal flow of benefits between parties. Nonexchange, or contribution, arrangements exist if no commensurate benefits are received in exchange for the resources transferred. When government grants are received, the arrangement is analyzed to determine if our obligations are for the ultimate benefit of the general public. If the primary benefit is received by the general public, as opposed to the government itself, the arrangements are concluded to be nonexchange. The guidance in ASC 606 is applied to all exchange transactions and Topic 958, *Not-for-Profit Entities*, guidance is applied to all other revenue transactions.

Revenue for services performed are generally recognized when, or as, the performance obligations are satisfied under a contract. SRI enters into agreements with clients that create enforceable rights and obligations and for which it is probable that SRI will collect the consideration to which it will be entitled as services and solutions are transferred to the client. Certain project revenue arrangements include contractual restrictions such as ceilings on costs and indirect rates. SRI uses the input method of accounting to recognize revenue over time on most contracts. Only a small portion of contracts are subject to revenue recognition as of a point in time based upon actual delivery of the unit or good.

SRI records royalty revenue on the licensing and sales of intellectual property as of a point in time. Royalty revenue is recorded under the applicable technology transfer agreements which generally contains minimum royalty amounts as a stated dollar or a stated amount plus a percentage of sales. Royalty related expenses are included in indirect expenses in the consolidated statement of activities.

Contract Assets

Amounts are invoiced as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Generally, revenue recognition occurs before billing, resulting in contract assets. These contract assets are referred to as unbilled receivables and are reported within receivables, net in the consolidated balance sheet. Contract assets also include contractual retentions or fee withhold receivables reported as noncurrent assets in the consolidated balance sheet (Note 6).

Contract Liabilities

SRI receives advances and milestone payments from customers on selected contracts that exceed revenue earned to date, resulting in contract liabilities. Contract liabilities typically are 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 and to protect us from the customer failing to adequately complete some or all of its obligations under the contract. Contract liabilities are referred to as client advances and credits

SRI International and Subsidiaries

Notes to Consolidated Financial Statements

December 30, 2022 and December 25, 2021

(in thousands of dollars, unless otherwise noted)

and are reported in the consolidated balance sheet on a net contract basis at the end of each reporting period.

Contract balances for the years ending December 30, 2022 and December 25, 2021 are as follows:

	2022	2021
Billed receivables	\$ 27,430	\$ 40,750
Contract assets - unbilled receivables	<u>60,713</u>	<u>82,925</u>
	88,143	123,675
Less: Allowance for uncollectible accounts and rate reserve	<u>(4,820)</u>	<u>(4,338)</u>
Receivables, net	<u>\$ 83,323</u>	<u>\$ 119,337</u>
Contract assets - contractual retention and fee withhold receivables (Note 6)	\$ 7,578	\$ 7,627
Contract liability - client advances and credits	17,359	22,071

SRI does not have a material credit risk exposure as a majority of receivables are associated with the U.S. government. Remaining receivables consists primarily of contracts with private entities and foreign governments and is widely diversified. While SRI believes there is minimal credit risk given the nature of its customers, significant changes in levels of federal research funding could impact SRI. When events or conditions indicate that amounts outstanding from customers may become uncollectible, an allowance is estimated and recorded. Revenue on Federal government contracts has been recorded using actual rates for 2022 and provisional rates for 2021. In cases where the final indirect rate settlement will result in a change to recorded revenues, management has established an allowance for these indirect rate variances.

Contributions

In accordance with ASC 958-605 – *Not-for-Profit Entities – Revenue Recognition*, unconditional contributions are recognized as revenues immediately. There are no unconditional contributions received in 2022 and 2021.

SRI conducts research pursuant to grants and contracts with the federal government, private corporations, foundations, universities and others that benefit the general public. These grants or contracts are considered nonexchange transactions or conditional contributions as a result of the adoption of ASU 2018-08 which was previously considered exchange transactions under the ASC 958-605. This change did not have an impact on the revenue recognition of these grants and contracts that benefit the general public which continue to be recognized over time in accordance with the conditions of each contract or grant that are primarily based on costs incurred, completion of milestones or other obligations as specified in the contract. For the years ended December 30, 2022 and December 25, 2021, SRI recognized \$115.5 million and \$113.5 million, respectively, of conditional contributions reported as project revenues in the consolidated statement of activities. As of December 30, 2022 and December 25, 2021, SRI had \$200.5 million and \$195.8 million, respectively, awarded but not expended contributions relating to these grants and contracts.

SRI classifies donor-restricted or conditional contributions as net assets without donor restrictions if the restrictions are met in the same reporting period in which the contributions are received.

Cash Equivalents

Cash equivalents consist of short-term highly liquid investments with an original maturity of three months or less when purchased. Cash and cash equivalents consist of cash on hand, demand deposits with

SRI International and Subsidiaries

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(in thousands of dollars, unless otherwise noted)

banks, highly liquid investments in money market funds, commercial paper, government securities, certificates of deposit, and corporate debt securities, which are readily convertible into cash.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consist primarily of funds that are contractually restricted for certain purposes, including unspent bond proceeds and funds deposited for future bond redemption.

The following table provides a reconciliation of cash and cash equivalents, as reported on the consolidated balance sheets, to cash, cash equivalents, and restricted cash, as reported on the consolidated statements of cash flows:

	2022	2021
Cash and cash equivalents	\$ 34,568	\$ 29,636
Restricted cash and cash equivalents	<u>7,074</u>	<u>942</u>
Cash, cash equivalents and restricted cash	<u>\$ 41,642</u>	<u>\$ 30,578</u>

Investments

Investments are recorded at fair value. Net realized and unrealized gains and losses on investments are reflected in the consolidated statements of activities (Note 3). The investment portfolio may be exposed to various risks, including, but not limited to, interest rate, market, sovereign, concentration, counterparty, liquidity and credit risk.

Fair Value of Financial Assets and Liabilities

ASC 820, *Fair Value Measurements*, defines fair value as the exchange price that would be received for 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. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

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

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

SRI's financial instruments include cash and cash equivalents, receivables, investments, accounts payable, client advances and credits and long-term debt.

The carrying amounts of cash and cash equivalents, receivables, accounts payable, and client advances and credits approximate fair value because of the short-term maturity of these financial instruments. Long-term debt is determined using Level 2 inputs. The carrying value of SRI's long-term debt approximates fair value because interest rates reflect current market rates offered by lending institutions for loans with similar terms to companies with comparable credit risk.

SRI International and Subsidiaries

Notes to Consolidated Financial Statements

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(in thousands of dollars, unless otherwise noted)

Inventory

Inventory consists of product in inventory for sale to customers, as well as supplies used in research activities. Product inventory consists of raw material parts, work-in-process and finished goods. Inventories are valued at the lower of cost or market value, cost being determined by a method that approximates the first-in, first-out method.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at their fair value at date of gift.

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets. Buildings and improvements are depreciated over various lives, ranging from 10 to 40 years, principally by the straight-line method. Equipment is depreciated over various lives, ranging from 3 to 20 years, by the straight-line method. Leasehold improvements are amortized over the shorter of the term of the respective lease by the straight-line method or their economic life.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets and are not material for the years ended December 30, 2022 and December 25, 2021. Repairs and maintenance expenditures are expensed as incurred.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no material impairment losses for the years ended December 30, 2022 and December 25, 2021.

Asset Retirement Costs and Obligations

SRI reports legal obligations associated with the retirement of long-lived assets in accordance with ASC 410-20, *Asset Retirement Obligations* ("ARO"). The ARO is measured at fair value at the time the obligation is incurred. Upon initial recognition of a liability, SRI capitalizes the cost as part of the cost basis of the related long-lived asset and depreciates the asset over the useful life. AROs of \$16.6 million and \$16.0 million are included in other noncurrent liabilities (Note 9) in the consolidated balance sheets at December 30, 2022 and December 25, 2021, respectively.

Changes in the obligation due to revised estimates of the amount or timing of cash flows required to settle the future liability are recognized by increasing or decreasing the carrying amount of the ARO liability and the related long-lived asset. Changes due solely to the passage of time are recognized as an increase in the carrying amount of the liability as an accretion expense. Accretion expense for both years ended December 30, 2022 and December 25, 2021 were \$0.6 million 0.6 million, and is included in property and equipment expense in the consolidated statement of activities. Additional Environmental Obligations are noted in Note 14 Commitments and Contingencies.

Income Taxes

SRI International is a non-profit corporation and is tax-exempt under Section 501(c) (3) of the Internal Revenue Code. Activities that generate unrelated business income, as defined by the Internal Revenue

SRI International and Subsidiaries

Notes to Consolidated Financial Statements

December 30, 2022 and December 25, 2021

(in thousands of dollars, unless otherwise noted)

Service, are subject to income taxes. Ravenswood Solutions is a taxable corporation. Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

On December 22, 2017, the United States enacted major tax reform legislation, Public Law No. 115-97, commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act made broad and complex changes to the U.S. tax code, including, but not limited to, (1) reducing the U.S. federal corporate tax rate from 35 % to 21 %; (2) repealing the Alternative Minimum Tax; (3) requiring tax exempt organization with more than one unrelated trade or business to compute Unrelated Business Income Tax (UBIT) separately with respect to each trade or business; and (4) creating a new excise tax, equal to the corporate tax rate of 21%, on an employer with respect to compensation paid by most non-profits (and related organizations) to certain individuals in excess of \$1.0 million. These provisions of the law were effective as of January 1, 2018.

Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Liquidity

The following information provided referencing the liquidity over the 12 months following the balance sheet date, December 30, 2022 and December 25, 2021, respectively. SRI's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	2021	2021
Cash and cash equivalents	\$ 34,568	\$ 29,636
Investments	34,187	26,772
Receivables, net	<u>83,323</u>	<u>119,337</u>
	<u>\$ 152,078</u>	<u>\$ 175,745</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position. Receivables are subject to implied time restrictions that are expected to be collected within one year. SRI has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, SRI invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments. As described in Note 8, SRI also has an available line of credit in the amount of \$13.5 million as of December 30, 2022, which it could draw upon in the event of an unanticipated liquidity need.

SRI International and Subsidiaries

Notes to Consolidated Financial Statements

December 30, 2022 and December 25, 2021

(in thousands of dollars, unless otherwise noted)

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*, which, requires a lessee to recognize a right-of-use (ROU) asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU was effective for fiscal year 2022 for SRI. SRI adopted the standard effective December 26, 2021 using the modified retrospective transition approach. We elected certain practical expedients, including the option not to apply lease recognition for short-term leases; an election to not separate lease from non-lease components; an option to use risk-free discount rate and a package of practical expedients such that, upon the initial adoption of Topic 842, SRI did not reassess whether expired or existing contracts contain leases, nor did SRI reassess the lease classification for expired or existing leases. SRI did not elect the practical expedient to use hindsight in determining the lease term and in assessing impairment of ROU assets. The impact was recognition of \$17.4 million of ROU asset and \$17.4 million of lease liability on the consolidated financial statements at December 26, 2021.

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Security (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323 and Topic 815*, which clarifies the interaction of the accounting for equity securities under Topic 321 and investments accounted for under the equity method of accounting in Topic 323 and the accounting for certain forward contracts and purchased options accounted for under Topic 815. The ASU was effective for fiscal year 2022 for SRI. There was no impact from the new guidance on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which clarifies the presentation and disclosure of contributed nonfinancial assets, including land, buildings and other items. The ASU is effective for fiscal year 2022 for SRI. There was no impact from the new guidance on the consolidated financial statements.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires entities to use a forward-looking model to estimate credit losses over the contractual term of financial assets, including short-term trade receivables and contract assets. The ASU is effective for fiscal year 2023 for SRI. SRI is evaluating the impact of the new guidance on the consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying U.S. GAAP to contract modifications, hedging relationships, and other transactions affected by the anticipated transition away from LIBOR. The ASU applies to contract modifications beginning March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06 which defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. This standard did not have a material impact on the consolidated financial statements in fiscal 2022. SRI will continue to evaluate the impact of the new guidance on the consolidated financials.

SRI International and Subsidiaries

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2. Revenue Recognition

The core principle of ASC 606 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. Revenue is measured based on consideration specified in a contract with a customer. We recognize revenue when it satisfies a performance obligation by transferring control over goods and services to a customer.

Performance Obligations

SRI's customers contract for individual services or combination of services, which are outlined in the signed agreement and have discrete pricing associated with the service to be provided. Each service is accounted for as a separate performance obligation. These performance obligations are generally satisfied over time and revenue is recognized as the services are provided, as this best represents the transfer of control of the services to the customer.

Disaggregation of Revenue

SRI's revenue is disaggregated by customer type, contract type, and service type. The majority of SRI's project revenue is from contracts with the U.S. government either directly or as a subcontractor and is recognized over time as the services are performed. These contracts are primarily cost plus, cost reimbursable or fixed price. SRI also earns royalty revenues from the licensing and sales of intellectual property and is recognized at a point in time.

The following table disaggregates revenue from exchange transactions based on the timing of revenue recognition for the years ending December 30, 2022 and December 25, 2021:

	2022	2021
Over time	\$ 235,834	\$ 283,438
Point in time	<u>67,566</u>	<u>15,634</u>
	<u>\$ 303,400</u>	<u>\$ 299,072</u>

3. Investments

SRI's Investments consist of Corporate Bonds that are carried at fair value, totaling \$34.2 million and \$26.8 million as of December 30, 2022 and December 25, 2021, respectively, and were measured using Level 2 inputs.

Consistent with ASC 958-320-55-5, *Not-for-Profit Entities, Investments – Debt and Equity Securities*, SRI reports realized investment returns as operating income and unrealized investment returns as nonoperating income. As gains/losses are realized, the unrealized gains/losses from previous years are reversed.

The following table represents unrealized and realized gains and losses associated with marketable investments included above as well as investments in affiliates:

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	2022	2021
Unrealized		
Corporate bonds	\$ (1,722)	\$ (863)
Affiliate equity securities (Note 6)	<u>717</u>	<u>-</u>
	(1,005)	(863)
Realized		
Corporate bonds	(9)	115
Affiliate equity securities (Note 6)	<u>-</u>	<u>7,604</u>
	(9)	7,719
Net gain (loss) on investments	<u>\$ (1,014)</u>	<u>\$ 6,856</u>

In 2021, SRI sold 2,296,650 shares of LeoLabs at \$3.0883 a share per the stock transfer agreement from June 3, 2021. Total payment of \$7.0 million was received from the sales and realized gain on investment was recorded for the year ended December 25, 2021.

4. Property and Equipment

Property and equipment consist of the following:

	2022	2021
Land and improvements	\$ 25,772	\$ 25,742
Buildings	244,738	239,934
Equipment	177,142	163,502
Leasehold improvements	13,994	13,898
Construction-in-progress	<u>8,476</u>	<u>17,903</u>
	470,122	460,979
Less: Accumulated depreciation and amortization	<u>(355,553)</u>	<u>(343,528)</u>
	<u>\$ 114,569</u>	<u>\$ 117,451</u>

Depreciation and amortization expense for the years ended December 30, 2022 and December 25, 2021 was \$15.7 million and \$16.2 million, respectively.

SRI acquires government property under federal contracts. Government property is expensed as incurred as a direct project cost and does not appear on SRI's consolidated balance sheets.

SRI International and Subsidiaries

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5. Internal Software

Internal Software consist of the following:

	2022	2021
Internal Software	\$ 7,933	\$ 7,778
Less: Accumulated depreciation and amortization	(1,079)	(352)
	<u>\$ 6,854</u>	<u>\$ 7,426</u>

Internal Software relate to the capitalized internally developed software costs and is generally amortized on a straight-line basis over a period of 10 years. The current portion is presented within the prepaid expenses and other assets line and the non-current portion is presented within the Other noncurrent assets of the balance sheet.

6. Other Noncurrent Assets

Other noncurrent assets consist of the following:

	2022	2021
Contractual retention and fee withhold receivable	\$ 7,578	\$ 7,627
Investments in affiliates	3,955	1,792
Other	<u>8,579</u>	<u>8,516</u>
	<u>\$ 20,112</u>	<u>\$ 17,935</u>

SRI invested \$0.2 million for additional equity in Lisa Health, Inc and Confidential, Inc. Additionally, \$1.2 million in Simple Agreement for Future Equity (SAFE) was converted to equity during 2022. The investments are recorded at cost under the alternative measurement method.

SRI received 59.8 million common shares of Narf Industries PLC from a license agreement entered into during 2022. Narf Industries PLC shares are publicly traded on the London Stock Exchange. The fair market value of SRI's shares at the end of 2022 was \$0.7 million, and an unrealized gain of \$0.7 million was recorded for the year ended December 30, 2022.

An additional \$1.1 million was invested in Simple Agreement for Future Equity (SAFE) with 5 new venture entities during 2022.

Ravenswood had unrealized gain on forward FX contracts of \$0.8 million and \$0.5 million for the years ended December 30, 2022 and December 25, 2021 respectively. It is included in the Other line of the above table for 2022. Additionally, a gain of \$1.9 million was realized for the year ending December 31, 2022.

SRI International and Subsidiaries

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7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following:

	2022	2021
Accounts payable	\$ 18,468	\$ 17,439
Accrued payroll, vacation and other employee related accruals	42,342	39,701
Stanford separation expense (Note 15)	1,494	1,459
Stanford lease loss accrual (Note 15)	922	899
Accrued insurance	583	864
Other	2,786	1,254
	<u>\$ 66,595</u>	<u>\$ 61,616</u>

Included in the accrued payroll, vacation and other employee related accruals line is employee royalty and equity sharing (RES) obligations of \$9.3 million and \$5.7 million at December 30, 2022 and December 25, 2021, respectively.

8. Long-Term Debt

Long-term debt consists of the following:

	2022	2021
California Infrastructure and Development Bank Revenue Bond Series 2018 Tax-exempt Variable Rate Bonds ("Series 2018 Bonds"); interest at 4.91906% and 1.68727% at December 30, 2022 and December 25, 2021, respectively.	\$ 7,941	\$ 8,660
California Infrastructure and Development Bank Revenue Bond Series 2012 Tax-exempt Fixed Rate Bonds ("Series 2012 Bonds") payable through 2028 interest coupon 3% to 5% and weighted average interest 3.858%.	8,181	9,365
Comerica Bank line of credit; interest at 2.25%	-	3,500
Total principal amounts	16,122	21,525
Less: Current installments	(1,974)	(5,403)
Long-term debt, excluding current installments	<u>\$ 14,148</u>	<u>\$ 16,122</u>

Series 2012 Bonds

In June 2012, the California Infrastructure and Economic Development Bank issued \$18.6 million Tax-Exempt Fixed Rate Bonds (the "Series 2012 Bonds") on behalf of SRI International. The proceeds from this bond issuance refinanced the Series 2003A Bonds. These bonds are administered by Union Bank, N.A., which operates as Trustee. The bonds are subject to a continuing disclosure annual report due May 31 annually and reporting of significant events as and when they occur. At December 30, 2022, SRI International is in compliance with its covenants related to the Series 2012 Bonds.

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Series 2018 Bonds

In November 2018, the California Infrastructure and Economic Development Bank issued \$10.9 million Tax-Exempt Variable Rate Revenue Bonds (the "Series 2018 Bonds") on behalf of SRI International. The proceeds from this bond issuance extinguished the Series 2010 Bonds. These bonds are administered by Wells Fargo, N.A., which operates as Trustee, and are subject to continuing covenant agreement between the Trustee and SRI International. The covenants in this agreement include affirmative financial covenants which require the maintenance of defined levels of profit, liquidity and leverage, as well as negative covenants limiting capital expenditures, loans, advances and investments. At December 30, 2022, SRI is in compliance with its covenants related to the Series 2018 Bonds.

Revolving Credit Facility

As of December 30, 2022 and December 25, 2021, SRI International has an available line of credit of \$13.5 million and \$13.5 million, respectively, with Wells Fargo Bank, N.A. SRI International renewed its line of credit on November 28, 2018 in conjunction with the issuance of the Series 2018 Bonds and extinguishment of the Series 2010 Bonds. There was no amount outstanding as of December 30, 2022 and December 25, 2021. The interest rate on the line of credit as of December 30, 2022 and December 25, 2021 was 30-day LIBOR plus 1.5%. The line of credit expires on November 28, 2023. This credit facility is covered by the same credit agreement underlying the Series 2018 Bonds with the same covenant requirements as discussed under the Series 2018 Bonds.

In May 2017, the Ravenswood Solutions entered into a line of credit agreement with Comerica Bank. On February 18, 2020, the maturity date was extended to October 31, 2022, and the borrowing limit was increased to \$20.0 million. On May 10, 2021, the borrowing limit was reduced to \$8.0 million. With the impending discontinuation of LIBOR, Comerica Bank has announced that it will commence using the Bloomberg Short-Term Bank Yield index as their primary replacement for LIBOR. The interest rate as of December 31, 2021 was 2.25%. Borrowings under the line of credit were collateralized by substantially all assets. The balance on the line of credit as of December 31, 2021 was \$3.5 million. Ravenswood paid off the outstanding balance of \$3.5 million in December 2022 and the facility was closed.

Based on the borrowing rates currently available to SRI for loans with similar terms and average maturities, the carrying value of long-term debt approximated fair value as of December 30, 2022 and December 25, 2021 respectively.

Maturities of debt as of December 30, 2022 are expected to be as follows:

2023	\$	1,974
2024		2,063
2025		2,157
2026		2,252
2027		2,354
Thereafter		5,322
	\$	<u>16,122</u>

9. Other Noncurrent Liabilities

Other noncurrent liabilities consist of the following:

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	2022	2021
Long term asset retirement obligations (Note 1)	\$ 16,571	\$ 15,973
Long term lease obligations	-	8,744
Other	<u>4,775</u>	<u>3,274</u>
	<u>\$ 21,346</u>	<u>\$ 27,991</u>

Included in the Other line is \$2.3 million of the unamortized portion of the Ground Lease Option payment received from LPGS Menlo LLC for the redevelopment of the Menlo Park campus. \$1.2 million represents the long-term portion of the loss accrued as a result of the amended lease signed in September 2021, which granted rent credit to Stanford University.

10. Leases

SRI's leases are generally for office space and equipment. SRI adopted Topic 842 on December 26, 2021 using the modified retrospective transition approach, and as a result did not recast comparative prior period information and presented prior period amounts and disclosures under Topic 840.

Effective upon the adoption of Topic 842, SRI recognized a right of use (ROU) asset and a lease liability of its operating leases. The initial lease liability was equal to the future fixed minimum lease payments discounted using the risk-free discount rate. The lease term was considered for option renewal periods and early termination payments if it was reasonably certain that we will exercise those rights. The initial measurement of the ROU asset was equal to the initial lease liability plus any initial direct costs and prepayments, less any lease incentives.

SRI recognizes lease costs on a straight-line basis over the remaining lease term, except for variable lease payments that are expensed in the period in which the obligation for those payments is incurred.

For its leases, SRI combined and accounted for lease and non-lease components together as a single component. We did not recognize lease liabilities and ROU assets for leases with original terms of 12 months or less.

Total operating lease cost is comprised of the following:

	2022
Operating lease cost	\$ 5,727
Short-term lease cost	-
Variable lease cost	966
Sublease income	<u>(464)</u>
Total operating lease cost	<u>\$ 6,229</u>

SRI International and Subsidiaries **Notes to Consolidated Financial Statements** **December 30, 2022 and December 25, 2021** ---

(in thousands of dollars, unless otherwise noted)

Future minimum operating lease payments for noncancelable operating leases as of December 30, 2022 are as follows:

	Operating Lease Payments
2023	\$ 6,621
2024	5,820
2025	1,084
2026	984
2027	423
Thereafter	-
Total future lease payments	14,932
Less: Imputed Interest	(367)
Total Lease Liability	<u>\$ 14,565</u>

Supplemental cash flow information related to leases was as follows:

Cash paid for amounts included in the measurement of lease liabilities	\$ 6,326
Operating lease liabilities arising from obtaining ROU assets	\$ 3,990
Weighted-average remaining lease term	2.35 years
Weighted-average discount rate	1.50%

SRI leases office space to venture entities. All of SRI's lessor arrangements are operating leases. Operating lease revenue is recognized on a straight-line basis over the term of the lease.

During the twelve months ended December 30, 2022, operating lease income was \$3.2 million. Operating lease income is reported as other income on the consolidated statements of activities.

Prior period disclosures under Topic 840

SRI is obligated under noncancelable operating leases, primarily for office space and equipment that expire through 2026. Future minimum lease payments under noncancelable operating leases as of December 25, 2021 were as follows:

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	Operating Lease Payments Payable
2022	\$ 5,965
2023	6,056
2024	5,247
2025	117
2026	-
	<hr/>
	\$ 17,385

Rental expense for all operating leases for the years ended December 25, 2021 and December 26, 2020 was approximately \$6.2 million and \$6.8 million, respectively, and is included in property and equipment expense in the consolidated statement of activities. Lease expense for significant leases is recorded on a straight-line basis in the case of pre-established increases in future lease payments.

Rental income for all operating leases for the years ended December 25, 2021 and December 26, 2020 was approximately \$3.8 million and \$5.7 million, respectively, and is reflected as other income on the consolidated statements of activities.

11. Expenses

Natural Presentation

SRI classifies its expenses according to the kinds of economic benefits received in incurring those expenses. Examples of natural expense classifications include salaries and wages, employee benefits, subcontractors, materials and supplies including, travel, interest expense, facilities, and depreciation.

Functional Presentation

SRI classifies its expenses according to the purpose for which costs are incurred. The primary functional classifications used are program activities and supporting activities.

Program activities are defined as the activities which result in goods and services being distributed to beneficiaries and are identifiable with a specific project. SRI's program activities can be further segregated into activities generated for the benefit of its clients and partners, and activities for the benefit of SRI.

The second primary functional classification is supporting activities, which consist of general & administrative expenses.

The analysis of SRI's expenses, include all direct project costs, indirect expenses and the Stanford University separation expense. The costs are allocated between program and supporting activities either as costs directly attributable to projects or allocated based on overhead function. All general and administrative functions are classified as supporting activities.

Expenses, grouped by function and natural expense classification, were incurred for the following programs and supporting services for the years ended December 30, 2022 and December 25, 2021, as follows:

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December 30, 2022				
	Program Activities		Supporting Activities	Total
	Clients & Partners	SRI R&D		
Salaries, wages, and benefits	\$ 168,518	\$ 5,846	\$ 63,845	\$ 238,209
Property and equipment expense	84,417	16	26,374	110,807
M & S, travel, and other	31,167	1,484	46,453	79,104
	<u>\$ 284,102</u>	<u>\$ 7,346</u>	<u>\$ 136,672</u>	<u>\$ 428,120</u>

December 25, 2021				
	Program Activities		Supporting Activities	Total
	Clients & Partners	SRI R&D		
Salaries, wages, and benefits	\$ 169,962	\$ 4,257	\$ 67,565	\$ 241,784
Property and equipment expense	80,227	70	28,406	108,703
M & S, travel, and other	38,627	3,883	29,857	72,367
	<u>\$ 288,816</u>	<u>\$ 8,210</u>	<u>\$ 125,828</u>	<u>\$ 422,854</u>

12. Income Taxes

Income tax benefit (expense) consists of:

	2022	2021
Current		
U.S. federal	\$ (248)	\$ (501)
State	(4)	(60)
Foreign	<u>307</u>	<u>(15)</u>
	55	(576)
Deferred		
U.S. federal	(546)	1,619
State	131	(38)
Foreign	<u>-</u>	<u>354</u>
	<u>(415)</u>	<u>1,935</u>

The income tax benefit attributable to pre-tax income differs from the amounts computed by applying the U.S. federal income tax rate of 21% for 2022 and 2021 to pretax income primarily as a result of the portion of SRI income exempt from income taxes and changes in the deferred tax valuation allowance.

Deferred tax assets and deferred tax liabilities consist of the following as of December 30, 2022 and December 25, 2021:

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	2022	2021
Net operating loss carryforwards	\$ 9,627	\$ 12,315
Accruals and other	<u>1,346</u>	<u>174</u>
Total gross deferred tax assets	10,973	12,489
Valuation allowance	<u>(4,698)</u>	<u>(5,641)</u>
Deferred tax assets	6,275	6,848
Deferred tax liabilities	<u>-</u>	<u>(501)</u>
Net deferred tax assets	<u>\$ 6,275</u>	<u>\$ 6,347</u>

SRI International has net operating loss carryforwards for federal and state income tax purposes of approximately \$40.4 million and \$16.2 million, respectively, which are available to offset future taxable income, if any, and expire in varying amounts between 2023 and 2039.

Ravenswood Solutions does not have net operating loss carryforwards for federal and state income tax purposes.

SRI International (parent company) has determined based upon the weight of available evidence, that it is more likely than not that the full gross deferred tax assets will not be realized and, accordingly, have provided a valuation allowance. During the years ended December 30, 2022 and December 25, 2021 the valuation allowance for SRI decreased by \$0.9 million and \$2.8 million, respectively.

Ravenswood Solutions, a for-profit entity, has determined, based upon the weight of available evidence, that it is more likely than not that the net deferred tax assets will be realized and, accordingly, has not provided a valuation allowance.

SRI recognizes interest and penalties as incurred within income tax expense in the consolidated statements of activities.

13. Benefit Plans

Certain employees who meet eligibility requirements are covered by defined contribution plans pursuant to Sections 401(a), 401(k) and/or 403(b) of the Internal Revenue Code. Employees in Puerto Rico are covered under a defined contribution plan which is intended to meet the requirements under the 2011 Puerto Rico Code Sections 1081.01(a) and (d). Additionally, certain amounts are paid or reserved for foreign plans. The obligations under the plans are funded by SRI as necessary each year. Total retirement plan costs were \$13.1 million and \$11.9 million during the years ended December 30, 2022 and December 25, 2021, respectively.

14. Commitments and Contingencies

Letter of Credit

SRI International has outstanding standby letters of credit in the amount of \$1.5 million and \$1.6 million as of December 30, 2022 and December 25, 2021, respectively. These are drawn against the overall line of credit held with Wells Fargo which has a \$10 million sub-limit for letters of credit under the overall ceiling

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(Note 8). These letters of credits are renewed annually. The outstanding standby letters of credit are not reflected in the financial statements.

Government Contracting Matters

Contracts with the U.S. government are subject to extensive legal and regulatory requirements and, from time to time and in the ordinary course of business, agencies of the U.S. government investigate whether SRI's operations are conducted in accordance with these requirements and terms of the relevant contracts. Given the inherent complexities in administering federal awards, it is possible that the aforementioned matters could result in disallowances which could be material.

Payments to SRI on cost-plus-fee and time-and-materials contracts are subject to adjustment upon audit by the DCAA. DCAA has issued final indirect rate agreements relating to SRI's incurred cost submissions through the years ended 2019. In the opinion of management, adjustments that may result from audits not yet completed or started are not expected to have a material effect on SRI's financial position, results of operations, or cash flows as SRI has accrued its best estimate of potential disallowances.

Litigation Matters

SRI is also involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material effect on SRI's consolidated financial position.

Other

SRI provides limited indemnifications in the ordinary course of business. The impact of these agreements, individually or in the aggregate, is not expected to be material to the consolidated financial statements. As a result, no liabilities related to guarantees and indemnifications have been recorded as of December 30, 2022 and December 25, 2021.

SRI filed a patent infringement lawsuit against Cisco Systems Inc. in federal district court in Delaware in 2013. In May 2016, the jury awarded SRI a \$23.7 million damages verdict. In May 2017, the judge issued rulings on post-trial motions that doubled the jury's damages award and also awarded SRI attorneys' fees of approximately \$8 million and prejudgment interest of approximately \$1.6 million. In 2019, after the damages awarded was affirmed on appeal, Cisco paid SRI for that portion of the judgment plus interest totaling \$28.2 million. SRI recorded royalty revenue of \$25.9 million, interest income of \$2.3 million and contingent legal fees included in materials, services, travel and other of \$11.3 million for the year ended December 28, 2019. This part of the lawsuit is final.

Enhanced damages and attorneys' fees were the subject of remand proceedings in the Delaware District Court, which awarded attorneys' fees but no enhanced damages. Both parties appealed this decision. In 2021 the Court of Appeals for the Federal Circuit reinstated the award of enhanced damages and attorneys' fees. On February 9, 2022, Cisco paid SRI \$23.7 million in enhanced damages, an additional approximately \$8.0 million in attorneys' fees, plus interest. The attorneys' fee award is not subject to any further appeals. On March 16, 2022, Cisco petitioned the United States Supreme Court for a writ of certiorari challenging the enhanced damages award.

On May 16, 2022, the United States Supreme Court denied Cisco's petition for a writ of certiorari challenging the enhanced damages award from March 16, 2022. Further proceedings in federal district court in Delaware successfully challenged Cisco's calculation of the interest due, resulting in an additional award to SRI of \$1.2 million which Cisco paid on May 18, 2022 and chose not to appeal. The litigation, including all appeals, is now concluded.

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15. Related Party Transactions

Under a separation agreement with Stanford University ("Stanford"), SRI is required to pay Stanford one half of 1% of its (and its subsidiaries') gross revenue from operations, less certain exclusions. Expense to Stanford under the separation agreement amounted to \$1.5 million and \$1.5 million for the years ended December 30, 2022 and December 25, 2021, respectively.

SRI had no material receivables from Stanford as of December 30, 2022 and December 25, 2021. For the year ended December 30, 2022, awards amounting to \$1.1 million and \$0.4 million were made to and received from Stanford, respectively. For the year ended December 25, 2021, awards amounting to \$1.5 million and \$0.3 million were made to and received from Stanford, respectively. SRI has a lease arrangement through 2024 with Stanford for space. Lease income for the years ended December 30, 2022 and December 25, 2021 amounted to \$0.1 million and \$1.5 million, respectively. In September 2021, an amended lease was executed with Stanford which provides a rent credit of \$8.5 million against any rent due effective September 1, 2021 which resulted in the significant decrease of the rent income from Stanford.

SRI had contract revenue of approximately \$0.3 million from investee companies for both years ended December 30, 2022 and December 25, 2021, with no related receivables as of December 30, 2022 and December 25, 2021.

16. Menlo Park Campus Redevelopment

SRI engaged LPGS Menlo LLC to redevelop its Menlo Park campus located in Menlo Park, California. On December 10, 2021, SRI entered into a Ground Lease Option Agreement with LPGS Menlo LLC. This option agreement grants LPGS Menlo LLC the option to acquire a ground lease hold interest in SRI's Menlo Park campus property upon receipt of entitlements from the City of Menlo Park. SRI received \$3.4 million as the initial option payment in December 2021. This payment was recorded as lease liability to be amortized over the period of the agreement of 3 years. As of December 30, 2022, \$2.3 million of the unamortized portion of the Ground Lease Option payment is included in other noncurrent liabilities.

17. Subsequent Events

SRI has evaluated subsequent events through June 30, 2023, which is the date the consolidated financial statements were available to be issued.

On April 29, 2023, the Xerox corporation donated the Palo Alto Research Center (PARC) to SRI International. The result of the donation of PARC and its assets by Xerox to SRI International, brings together two organizations and will enable SRI to further build, expand, and scale its capabilities among a diverse set of technology and scientific areas.

Schedule of Expenditures of Federal Awards

SRI International

Schedule of Expenditures of Federal Awards

Year Ended December 30, 2022

Federal Program	Assistant Listing Number	Direct Award Expenditure (\$)	Pass Through Award Expenditure (\$)	Contract Number	Pass Through Entity	Pass Through Entity Identifying Number	Total Expenditure (\$)	Passed to Sub Recipients (\$)
Research and Development Cluster								
Department of Commerce								
NIST	11.619	96,354	-	70NANB22H042			96,354	-
Total Department of Commerce		96,354	-				96,354	-
Department of Defense								
AFRL								
AIR FORCE RESEARCH LAB	12.U01	437,508	-	FA8750-21-C-1517			437,508	132,968
AIR FORCE RESEARCH LAB	12.U01	28,572	-	FA9451-21-C-0007			28,572	9,008
APOGEE RESEARCH, LLC	12.U02	-	1,205,394		APOGEE RESEARCH, LLC	SWAT SUB-001	1,205,394	-
Leidos, Inc	12.U03	-	2,142,958		Leidos, Inc	P010216895	2,142,958	-
USAF	12.U04	473,567	-	FA8650-22-C-1014			473,567	-
ARL								
UNIVERSITY OF ILLINOIS	12.630	-	214,031		UNIVERSITY OF ILLINOIS	088831-16644/AE104	214,031	-
CIA								
OIM	12.U05	-	466,296		OIM	2020-20031700001	466,296	-
DARPA								
AFRL	12.U06	126,668	-	FA8750-23-C-1001			126,668	-
AIR FORCE RESEARCH LAB	12.U07	1,526,360	-	FA8650-18-C-7880			1,526,360	3,807
AIR FORCE RESEARCH LAB	12.U07	2,472,334	-	FA8650-18-C-7887			2,472,334	920,794
AIR FORCE RESEARCH LAB	12.U07	784,929	-	FA8650-20-C-7026			784,929	-
AIR FORCE RESEARCH LAB	12.U07	1,447,113	-	FA8750-16-C-0138			1,447,113	478
AIR FORCE RESEARCH LAB	12.U07	(95)	-	FA8750-17-C-0141			(95)	-
AIR FORCE RESEARCH LAB	12.U07	784,408	-	FA8750-18-C-0036			784,408	-
AIR FORCE RESEARCH LAB	12.U07	1,489,106	-	FA8750-19-C-0060			1,489,106	-
AIR FORCE RESEARCH LAB	12.U07	1,512,603	-	FA8750-19-C-0079			1,512,603	819,759
AIR FORCE RESEARCH LAB	12.U07	13,345	-	FA8750-19-C-0089			13,345	12,213
AIR FORCE RESEARCH LAB	12.U07	1,063,867	-	FA8750-19-C-0502			1,063,867	428,986
AIR FORCE RESEARCH LAB	12.U07	387	-	FA8750-19-C-1511			387	-
AIR FORCE RESEARCH LAB	12.U07	1,888,821	-	FA8750-20-C-0002			1,888,821	181,047
AIR FORCE RESEARCH LAB	12.U07	1,154,870	-	FA8750-20-C-0226			1,154,870	719,078
APOGEE RESEARCH, LLC	12.U08	-	1,395,564		APOGEE RESEARCH, LLC	FA8750-20-C-0520	1,395,564	-
CACI, INC.	12.U09	-	179,648		CACI, INC.	P000097218	179,648	-
DARPA	12.910	67,024	-	HR00112010013			67,024	11,440
DARPA	12.U10	132,358	-	HR001118C0015			132,358	50,015
DARPA	12.U10	910	-	HR001118C0016			910	-
DARPA	12.U10	404,851	-	HR00111-18-C-0051			404,851	171,374
DARPA	12.U10	17,177	-	HR001118C0082			17,177	-
DARPA	12.U10	1,054,138	-	HR001119C0074			1,054,138	533,345
DARPA	12.U10	1,228,487	-	HR001119C0075			1,228,487	267,700
DARPA	12.U10	4,220,280	-	HR001119C0108			4,220,280	350,519
DARPA	12.U10	1,268,611	-	HR001119C0112			1,268,611	302,493
DARPA	12.U10	1,026,904	-	HR001120C0009			1,026,904	-
DARPA	12.U10	159,664	-	HR001120C0011			159,664	66,000

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DARPA	12.U10	568,959	-	HR001120C0021			568,959	305,004
DARPA	12.U10	1,101,894	-	HR001120C0086			1,101,894	472,114
DARPA	12.U10	2,070,439	-	HR001120C0099			2,070,439	778,810
DARPA	12.U10	2,311,437	-	HR001120C0124			2,311,437	980,335
DARPA	12.U10	1,330,052	-	HR001120C0147			1,330,052	-
DARPA	12.U10	1,451,871	-	HR001120C0158			1,451,871	-
DARPA	12.U10	1,107,721	-	HR001121C0026			1,107,721	73,827
DARPA	12.U10	1,306,611	-	HR001121C0035			1,306,611	778,596
DARPA	12.U10	3,837,705	-	HR001121C0056			3,837,705	183,542
DARPA	12.U10	2,829,105	-	HR001121C0099			2,829,105	-
DARPA	12.U10	207,505	-	HR001121C0125			207,505	-
DARPA	12.U10	2,587,589	-	HR001121C0141			2,587,589	745,693
DARPA	12.U10	363,177	-	HR001121C0157			363,177	-
DARPA	12.U10	1,464,880	-	HR001121C0211			1,464,880	-
DARPA	12.U10	1,004,645	-	HR001122C0043			1,004,645	345,474
DARPA	12.U10	1,539,461	-	HR001122C0110			1,539,461	989,373
DARPA	12.U10	25,245	-	HR001123C0008			25,245	-
DARPA	12.U10	411,593	-	N6600122C4034			411,593	280,875
DOI, Interior Business	12.910	164,873	-	D18AP00059			164,873	-
DOI, Interior Business	12.910	142,100	-	D19AP00024			142,100	-
DOI, Interior Business	12.U11	984,368	-	140D6318C0020			984,368	604,998
DOI, Interior Business	12.U11	16,727	-	140D6318C0045			16,727	-
GRAMMA TECH, INC.	12.U12	-	24,684		GRAMMA TECH, INC.	GT S18-06	24,684	-
METRON INCORPORATED	12.U13	-	1,230,321		METRON INCORPORATED	DARPA BAA HR001120S0	1,230,321	-
NIWC Atlantic	12.U14	-	513,789		NIWC Atlantic	N65236-20-C-8020	513,789	-
NIWC Atlantic	12.U14	-	1,549,425		NIWC Atlantic	N6523622C8009	1,549,425	200,000
NIWC Pacific	12.U15	-	59,737		NIWC Pacific	N66001-15-C-4071	59,737	50,145
NIWC Pacific	12.U15	-	40,949		NIWC Pacific	N66001-18-C-4011	40,949	14,947
Radiance Technologies	12.U16	-	975,953		Radiance Technologies	22S-0691	975,953	-
Systems & Technology	12.U17	-	333,723		Systems & Technology	2020-0065	333,723	-
US ARMY CONTRACT COMMAND	12.431	275,943	-	W911NF2010269			275,943	-
US ARMY RDECOM	12.U18	1,038,015	-	W911NF22C0048			1,038,015	376,546
USAF	12.U19	(213)	-	FA8650-18-C-7809			(213)	-
USAF	12.U19	(5,986)	-	FA8750-17-C-0115			(5,986)	(5,622)
USAF/AFMC/AFRL	12.U20	1,209,241	-	FA8750-20-C-0155			1,209,241	526,895
USC	12.U21	-	146,919		USC	03/17/350404	146,919	-
Defense Logistics Agency								
DLA Land & Maritime	12.U22	428,133	-	SPE7MX-15-D-0008			428,133	-
DLA Land & Maritime	12.U22	12,997,385	-	SPE7MX-21-D-0032			12,997,385	278,861
Dept. of Defense								
CACI, Inc. - Federal	12.U23	-	230,747		CACI, Inc. - Federal	47QTC18D0009	230,747	-
DLA Land & Maritime	12.U24	(53,265)	-	SPE7MX-19-D-0025			(53,265)	-

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DOD/CDMRP	12.420	148,691	-	W81XWH2210978			148,691	-
GALOIS INC	12.U25	-	175,087		GALOIS INC	2020-024	175,087	-
HQ USSOCOM	12.U26	540,178	-	H9244220C0002			540,178	-
HQ USSOCOM	12.U26	649,305	-	H9244220C0006			649,305	-
HQ USSOCOM	12.U26	1,880,029	-	H9244222C0001			1,880,029	910,631
LOCKHEED MARTIN	12.U27	-	188,031		LOCKHEED MARTIN	4104864192	188,031	-
NATIONAL GEO-SPATIAL INTE	12.U28	-	986,193		NATIONAL GEO-SPATIAL INTE	HIM047620C0023	986,193	-
NATIONAL GEO-SPATIAL INTE	12.U28	-	623,283		NATIONAL GEO-SPATIAL INTE	HIM047620C0027	623,283	153,623
NAVY ENGINEERING LOGIS	12.U29	536,040	-	N4175621C4357			536,040	-
QinetiQ Inc.	12.U30	-	229,114		QinetiQ Inc.	100654	229,114	-
SPACE DEVELOPMENT AGENCY	12.U31	866,348	-	HQ085021C0009			866,348	-
USAMRAA	12.420	206,434	-	W81XWH2110085			206,434	-
USAMRAA	12.U32	1,140,090	-	W81XWH19C0096			1,140,090	495,606
Dept. of the Army								
ARMY CONTRACTING COMMAND	12.U33	583,882	-	W911W620C0024			583,882	-
Booz Allen Hamilton	12.U34	-	415,077		Booz Allen Hamilton	A24693	415,077	-
ERDC CONTRACTING OFFICE	12.U35	218,449	-	W912HZ-09-C-0078			218,449	199,911
Leidos, Inc	12.U36	-	5,294		Leidos, Inc	P010236800	5,294	-
Leidos, Inc	12.U36	-	489,012		Leidos, Inc	GS00Q14OADU122	489,012	-
QinetiQ Inc.	12.U37	-	871,867		QinetiQ Inc.	RS3-20-010	871,867	-
QinetiQ Inc.	12.U37	-	112,116		QinetiQ Inc.	W15P7T-19-D-0082	112,116	-
QinetiQ Inc.	12.U37	-	333,340		QinetiQ Inc.	RS3-20-010	333,340	-
RAVENSWOOD SOLUTIONS INC	12.U38	-	107,877		RAVENSWOOD SOLUTIONS INC	N/A	107,877	-
SAGE TECHNOLOGIES	12.U39	-	211,420		SAGE TECHNOLOGIES	W909MY-22-C-0007	211,420	-
USAF AFTC/PZIE	12.U40	731	-	FA248718D0001			731	-
Dept. of the Navy								
NWC Pacific	12.U41	-	372,498		NWC Pacific	N6600122C4507	372,498	77,948
DTRA								
Virginia Tech	12.351	-	109		Virginia Tech	450888-19546	109	-
IARPA-Intelligence Advanced Research Projects Activity								
ARMY CONTRACTING COMMAND	12.U42	761,460	-	W911NF20C0038			761,460	289,322
IARPA	12.U43	1,894,218	-	2021-21060200007			1,894,218	917,485
IARPA	12.U43	1,687,029	-	2022-21100600001			1,687,029	-
IARPA	12.U43	206,976	-	2022-22072200004			206,976	-
University of Houston	12.U44	-	945,711		University of Houston	R-22-0029	945,711	2,407
Navy/Office of Naval Reserve, NRL								
Honeywell	12.U45	-	75,850		Honeywell	DEF10273	75,850	-
KBR Wyle Services, LLC	12.U46	-	73,431		KBR Wyle Services, LLC	SMS0000930	73,431	-
NAVAL RESEARCH LAB.	12.U47	397,573	-	N0017322D6000			397,573	-
NAVAL RESEARCH LABORATORY	12.U47	982,259	-	N00173-19-C-6000			982,259	-
NAVAL RESEARCH LABORATORY	12.U47	26,694	-	N0017323C2001			26,694	-
OFFICE OF NAVAL RESEARCH	12.300	178,369	-	N00014-20-1-2644			178,369	-

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OFFICE OF NAVAL RESEARCH	12.300	368,847	-	N00014-21-1-2579			368,847	-
OFFICE OF NAVAL RESEARCH	12.300	273,373	-	N00014-21-1-2754			273,373	-
OFFICE OF NAVAL RESEARCH	12.U48	169,805	-	N00014-17-C-7021			169,805	-
OFFICE OF NAVAL RESEARCH	12.U48	151,726	-	N00014-18-C-1010			151,726	-
OFFICE OF NAVAL RESEARCH	12.U48	701,285	-	N00014-18-C-2042			701,285	-
OFFICE OF NAVAL RESEARCH	12.U48	203,604	-	N00014-19-C-1007			203,604	-
OFFICE OF NAVAL RESEARCH	12.U48	1,096,013	-	N00014-19-C-2025			1,096,013	-
OFFICE OF NAVAL RESEARCH	12.U48	466,124	-	N00014-20-C-2037			466,124	-
OFFICE OF NAVAL RESEARCH	12.U48	149,314	-	N00014-21-C-2016			149,314	-
OFFICE OF NAVAL RESEARCH	12.U48	583,836	-	N00014-21-C-2034			583,836	-
OFFICE OF NAVAL RESEARCH	12.U48	694,100	-	N00014-22-C-2012			694,100	-
UW-Madison	12.300	-	354,551		UW-Madison	0000001337	354,551	-
U.S. Air Force								
AIR FORCE RAPID CAPABILIT	12.U49	564,538	-	FA8002-21-C-0382			564,538	-
AIR FORCE RESEARCH LAB	12.U50	149,303	-	FA8650-16-C-1707			149,303	-
GEORGIA INSTITUTE OF TECH	12.U51	-	243,161		GEORGIA INSTITUTE OF TECH	D9104-S5	243,161	-
GEORGIA INSTITUTE OF TECH	12.U51	-	1,182,880		GEORGIA INSTITUTE OF TECH	D9104-S10	1,182,880	-
L3Harris	12.U52	-	338,936		L3Harris	A000609753	338,936	-
Leidos, Inc	12.U53	-	141,724		Leidos, Inc	P010266586	141,724	-
SAGE TECHNOLOGIES	12.U54	-	130,986		SAGE TECHNOLOGIES	220510	130,986	-
US Air Force	12.U55	157,162	-	FA8002-22-F-0516			157,162	-
US Air Force	12.U55	90,672	-	FA8002-22-F-0517			90,672	-
USAF AFTC/PZIE	12.U56	1,347,349	-	FA2487-18-D-0001			1,347,349	759,996
U.S. Army Medical								
USAMRAA	12.U57	527,250	-	W81XWH2110461			527,250	177,547
US ARMY CONTRACT COMMAND								
US ARMY CONTRACT COMMAND	12.U58	63,539	-	W911NF-22-2-0137			63,539	-
Total Department of Defense		<u>88,164,572</u>	<u>19,317,686</u>				<u>107,482,258</u>	<u>16,945,913</u>
Department of Education								
Alpha CSP	84.U01	-	83,172		Alpha CSP	19-008-654-EDD	83,172	-
Amira Learning	84.305T	-	118,362		Amira Learning	R305T210038	118,362	-
Anlar	84.U02	-	9,585		Anlar	N/A	9,585	-
Anlar	84.U02	-	15,371		Anlar	100248	15,371	-
CAST, INC.	84.327A	-	193,008		CAST, INC.	SR00118123122	193,008	-
Chico State Enterprises	84.U03	-	105,981		Chico State Enterprises	SUB19-033	105,981	-
Ctr Future of Arizona	84.411C	-	153,269		Ctr Future of Arizona	N/A	153,269	-
Department of Education	84.305C	1,638,247	-	R305C210003			1,638,247	470,611
Department of Education	84.305N	201,033	-	R305N220012			201,033	-
Department of Education	84.324P	203,277	-	R324P210005			203,277	68,458
Department of Education	84.324R	816,292	-	R324R210005			816,292	49,259
Department of Education	84.327V	64,735	-	H327V220001			64,735	-

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Digital Promise Global	84.411C	-	16,733		Digital Promise Global	2021-00731-CON	16,733	-
Education Development Cnt	84.295A	-	96,258		Education Development Cnt	2021-0149	96,258	-
ERIKSON INSTITUTE	84.U04	-	130,365		ERIKSON INSTITUTE	EDD 17-122	130,365	-
HoogalIt, Inc.	84.U05	-	132,790		HoogalIt, Inc.	N/A	132,790	-
Johns Hopkins University	84.U06	-	395,569		Johns Hopkins University	N/A	395,569	-
McREL International	84.U07	-	114,845		McREL International	19-008	114,845	-
NATIONAL WRITING PROJECT	84.U08	-	70,325		NATIONAL WRITING PROJECT	U411A160004	70,325	-
New Teacher Center	84.411B	-	436,885		New Teacher Center	S411B200057	436,885	-
New Teacher Center	84.U09	-	654,562		New Teacher Center	U423A180077	654,562	-
New Teacher Center	84.U09	-	447,497		New Teacher Center	U411A190003	447,497	-
NEW YORK UNIVERSITY	84.305A	-	65,065		NEW YORK UNIVERSITY	F0085-01	65,065	-
POLICY STUDIES ASSOCIATES	84.U10	-	239,842		POLICY STUDIES ASSOCIATES	SB283B190047	239,842	-
ROCKETSHIP EDUCATION	84.022A	-	189,427		ROCKETSHIP EDUCATION	U282M170011	189,427	-
RTI INTERNATIONAL	84.U11	-	324,685		RTI INTERNATIONAL	1-312-0215020-52348L	324,685	-
Teachers College	84.305U	-	70,027		Teachers College	511147	70,027	45,984
Touro College & Universit	84.U12	-	229,587		Touro College & Universit	120120-SC01	229,587	-
Univ of North Carolina	84.326P	-	498,800		Univ of North Carolina	5108651	498,800	-
UNIVERSITY OF KANSAS	84.411B	-	225,109		UNIVERSITY OF KANSAS	BSA20071	225,109	-
University of Missouri	84.U13	-	121,932		University of Missouri	00072654-2	121,932	-
University of Oklahoma	84.324A	-	94,126		University of Oklahoma	2022-03	94,126	-
US Dept Of Education	84.305A	546,498	-	N/A			546,498	15,702
US Dept Of Education	84.305A	509,462	-	R305A180013			509,462	233,820
US Dept Of Education	84.305U	889	-	R305U210001			889	-
US Dept Of Education	84.324.A	22,713	-	R305A160005			22,713	-
US Dept Of Education	84.324A	136,923	-	R324A160010			136,923	86,793
US Dept Of Education	84.326M	376,222	-	H326M210002			376,222	107,152
US Dept Of Education	84.373Z	6,943,576	-	H373Z190002			6,943,576	2,804,965
US Dept Of Education	84.411C	882,018	-	U411C180070			882,018	290,711
US Dept Of Education	84.U14	3,772,627	-	91990022C0008			3,772,627	865,898
Westat, Inc.	84.U15	-	29,878		Westat, Inc.	6550-S-003	29,878	-
Westat, Inc.	84.U15	-	94,533		Westat, Inc.	6729-S-005	94,533	-
WestEd	84.305A	-	194,875		WestEd	S-00016177	194,875	-
WestEd	84.305A	-	11,365		WestEd	S-00015917	11,365	-
WestEd	84.411A	-	771,683		WestEd	S-16522	771,683	-
Total Department of Education		16,114,512	6,335,511				22,450,023	5,039,353
Dept. of Energy								
ARPA-E/DOE	81.135	1,814,469	-	N/A			1,814,469	98,869
DEPARTMENT OF ENERGY	81.089	1,668,487	-	DE-FE0031588			1,668,487	858,249
DEPARTMENT OF ENERGY	81.089	592	-	DE-FE0031552			592	-
DEPARTMENT OF ENERGY	81.089	946,549	-	DE-FE0031597			946,549	16,713
DEPARTMENT OF ENERGY	81.089	330,958	-	DE-FE0031633			330,958	73,250

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DEPARTMENT OF ENERGY	81.089	384,308	-	DE-FE0032135			384,308	39,667
NEW YORK UNIVERSITY	81.008	-	5,409		NEW YORK UNIVERSITY	F2232-04	5,409	-
Rutgers, State University	81.U02	-	125,480		Rutgers, State University	2025	125,480	-
Syracuse University	81.U01	-	11,328		Syracuse University	30017-04943-S01	11,328	-
Total Department of Energy		5,145,363	142,217				5,287,580	1,086,748
Department of Health and Human Services								
Consumer Wellness Solutio	93.U01	-	706		Consumer Wellness Solutio	1 R34 DA051051-01	706	-
Dept of Health & Human Se	93.575	475,279	-	90YE0218-01-00			475,279	-
Dept of Health & Human Sv	93.U02	369,533	-	47QRAA21D002R			369,533	-
Dept of Health & Human Sv	93.U02	2,782,399	-	HHSP233201500041I			2,782,399	714,947
DHHS	93.U03	713,343	-	HHSP233201500041I			713,343	-
DHHS/ACF	93.600	4,633	-	90YR0137-01-00			4,633	-
DHHS/BARDA	93.U04	650,062	-	HHSO100201700030C			650,062	-
HHS/OS/ASPR/BARDA	93.U05	3,787,238	-	HHSO100201600007C			3,787,238	1,002,698
Leidos	93.U06	-	9,972		Leidos	22X101	9,972	-
Leidos, Inc	93.U06	-	50,759		Leidos, Inc	16X147	50,759	-
National Opinion Research	93.U07	-	56,305		National Opinion Research	8665.SRL01	56,305	-
NIH	93.859	943,487	-	2R01GM077678			943,487	128,097
NIH	93.859	833,416	-	2R01GM080746			833,416	-
NIH	93.U08	2,534,018	-	75N94020D00003			2,534,018	330,243
NIH/NCATS	93.U09	113,517	-	HHSN271201700014I			113,517	-
NIH/NCI	93.279	11,130	-	R21DA046144			11,130	10,146
NIH/NCI	93.394	336,386	-	1R33CA247739-01			336,386	58,313
NIH/NCI	93.394	27,471	-	1R01CA214515-01			27,471	(6,758)
NIH/NCI	93.394	181,058	-	1R21CA260019-01A1			181,058	24,092
NIH/NCI	93.395	265,592	-	R21CA254048			265,592	-
NIH/NCI	93.396	331,303	-	R21CA236640			331,303	-
NIH/NCI	93.U10	33,114	-	HHSN261201600017I			33,114	-
NIH/NHLBI	93.233	910,178	-	R01HL059658			910,178	-
NIH/NHLBI	93.233	693,628	-	R01HL150836			693,628	247,553
NIH/NIA	93.866	1,428,209	-	R01AG061355			1,428,209	403,078
NIH/NIAAA	93.273	1,363,510	-	R01AA005965			1,363,510	341,816
NIH/NIAAA	93.273	200,581	-	R21AA028617			200,581	-
NIH/NIAAA	93.273	41,360	-	U01AA013521			41,360	15,580
NIH/NIAAA	93.273	1,405,778	-	U01AA017347			1,405,778	548,669
NIH/NIAAA	93.273	1,072,357	-	U01AA021696			1,072,357	50,295
NIH/NIAAA	93.U11	783,934	-	U24AA021697			783,934	281,504
NIH/NIAD	93.855	1,032,881	-	9R01AI160719-17A1			1,032,881	-
NIH/NIAD	93.U12	9,555,493	-	75N93020D00011			9,555,493	3,609,800
NIH/NIAD	93.U12	50,910	-	HHSN272201500013I			50,910	-
NIH/NIAD/DADS	93.U13	(366)	-	HHSN272201400006I			(366)	-

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NIH/NIAD/DMID	93.U14	9,295,115	-	HHSN2722018000011			9,295,115	-
NIH/NIHCHD	93.U15	1,455,350	-	75N94020D00003			1,455,350	-
NIH/NIHCHD	93.U15	673,496	-	HHSN2752015000021			673,496	72,838
NIH/NIHCHD	93.U15	1,294,578	-	HHSN2752018000071			1,294,578	63,714
NIH/NIHIDA	93.279	1,742,232	-	U01DA041022			1,742,232	-
NIH/NIHIDA	93.U16	1,048,578	-	HHSN2712016000061			1,048,578	-
NIH/NIHIDA	93.U16	1,448,201	-	HHSN2712018000191			1,448,201	-
NIH/NIHIDA	93.U16	424,812	-	HHSN271201800041C			424,812	-
NIH/NIHDDK	93.847	188,174	-	R01DK088787			188,174	-
NIH/NIHHLBI	93.837	128,519	-	R01HL139652			128,519	-
NIH/NIHINDS	93.853	922,272	-	R01NS103529			922,272	-
NIH/NIHINDS	93.853	448,818	-	R21NS113589			448,818	-
NIH/NIHINDS	93.853	312,438	-	R21NS123495			312,438	-
NOCTRIX HEALTH, INC.	93.U17	-	116,359		NOCTRIX HEALTH, INC.	19-216 328 BDD	116,359	-
Oregon Health & Science U	93.173	-	39,540		Oregon Health & Science U	1R01DC020402-01	39,540	-
Oregon Health & Science U	93.855	-	337,638		Oregon Health & Science U	1015301_SRI	337,638	-
Pennsylvania State Univer	93.865	-	21,385		Pennsylvania State Univer	1 R03 HD104796	21,385	-
Rutgers, State University	93.U18	-	372,999		Rutgers, State University	2121	372,999	-
SRIC-BI	93.575	-	406,579		SRIC-BI	90YE0222-01-00	406,579	98,760
Stanford University	93.273	-	543,171		Stanford University	62740347-14741	543,171	-
Stanford University	93.273	-	39		Stanford University	60972142-41990	39	-
Stanford University	93.879	-	179,536		Stanford University	1R01LM013229-01A1	179,536	-
THE REGENTS OF UNIV CA.	93.U19	-	3,151		THE REGENTS OF UNIV CA.	704061	3,151	-
UCSD	93.838	-	107,995		UCSD	KR 705120	107,995	-
US Dept of Health & Human	93.U20	1,121,705	-	HHSP2332015000411			1,121,705	347,304
Total Department of Health and Human Services		53,435,720	2,246,134				55,681,854	8,342,689
Department of Homeland Security								
DEPT OF HOMELAND SECURITY	97.U01	1,339,633	-	HS HQDC-16-C-00034			1,339,633	285,072
DHS	97.U02	183,971	-	47QRAA21D002R			183,971	-
Total Department of Homeland Security		1,523,604	-				1,523,604	285,072
Department of Justice								
US Dept of Justice	16.560	(503)	-	HS HQDC-16-C-00034			(503)	-
US Dept of Justice	16.842	306,244	-	47QRAA21D002R			306,244	15,405
Total Department of Justice		305,741	-				305,741	15,405
National Aeronautics & Space Administration								
DARTMOUTH COLLEGE	43.001	-	40,330		DARTMOUTH COLLEGE	R1130	40,330	-
DePaul University	43.001	-	14,899		DePaul University	501732SG2236	14,899	-
Embry-Riddle Aeronautical	43.001	-	52,372		Embry-Riddle Aeronautical	61684-02	52,372	-
Johns Hopkins University	43.001	-	8,407		Johns Hopkins University	161887	8,407	-

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Federal Program	Assistant Listing Number	Direct Award Expenditure (\$)	Pass Through Award Expenditure (\$)	Contract Number	Pass Through Entity	Pass Through Entity Identifying Number	Total Expenditure (\$)	Passed to Sub Recipients (\$)
Johns Hopkins University	43.U01	-	258,852		Johns Hopkins University	131044	258,852	(1,899)
Johns Hopkins University	43.U01	-	190,461		Johns Hopkins University	156080	190,461	-
NASA	43.001	3,296	-	80NSSC21K0302			3,296	-
NASA GLENN RESEARCH CENTE	43.U02	95,961	-	80GRC018C0018			95,961	-
NASA GLENN RESEARCH CENTE	43.U02	407,753	-	80GRC019C0037			407,753	-
NASA SHARED SERVICES CTR.	43.001	291,080	-	80NSSC20K0915			291,080	-
NASA SHARED SERVICES CTR.	43.001	140,323	-	80NSSC18K1237			140,323	-
NASA SHARED SERVICES CTR.	43.001	226,762	-	80NSSC19K0081			226,762	164,803
NASA SHARED SERVICES CTR.	43.001	90,106	-	80NSSC19K0535			90,106	-
NASA SHARED SERVICES CTR.	43.001	85,954	-	80NSSC21K0664			85,954	67,880
NASA SHARED SERVICES CTR.	43.001	125,447	-	80NSSC22K0172			125,447	-
NASA SHARED SERVICES CTR.	43.003	22,113	-	80NSSC20K1176			22,113	-
NASA SHARED SERVICES CTR.	43.U03	266,182	-	80NSSC21K1119			266,182	-
NASA/GODDARD SPACE	43.001	37,985	-	NNX14AO79G			37,985	-
NASA-AMES RESEARCH CENTE	43.001	178,299	-	80NSSC21K0458			178,299	-
NASA-AMES RESEARCH CENTE	43.U04	231,740	-	80ARC018D0016			231,740	-
National Ins of Aerospace	43.008	-	221,863		National Ins of Aerospace	C21-202017-SRI	221,863	-
NJ Institute of Tech	43.U05	-	87,055		NJ Institute of Tech	(NP) 997650	87,055	-
Southwest Research Instit	43.001	-	512		Southwest Research Instit	Q99072AKP	512	-
UCAR	43.001	-	44,732		UCAR	SUBAWD002585	44,732	-
UNIVERSITY OF ALASKA	43.001	-	937		UNIVERSITY OF ALASKA	UA-21-0103	937	-
UNIVERSITY OF ALASKA	43.001	-	277		UNIVERSITY OF ALASKA	UA-22-0109	277	-
UNIVERSITY OF CALIFORNIA	43.U06	-	122,825		UNIVERSITY OF CALIFORNIA	7591252	122,825	-
UNIVERSITY OF MICHIGAN	43.U07	-	308,212		UNIVERSITY OF MICHIGAN	SUBK00016000	308,212	-
Total National Aeronautics & Space Administration		2,203,001	1,351,734				3,554,735	230,784
National Science Foundation								
American Museum of Natural History	47.076	-	554		American Museum of Natural History	B26-2020-06	554	-
Digital Promise Global	47.070	-	112,150		Digital Promise Global	IS-2021159	112,150	-
Education Development Cnt	47.076	-	13,414		Education Development Cnt	2021-0107	13,414	-
ERIKSON INSTITUTE	47.076	-	9,797		ERIKSON INSTITUTE	EDD 14-179R2	9,797	8,867
LISA HEALTH INC	47.U01	-	28,276		LISA HEALTH INC	2111818	28,276	-
National Science Foundati	47.050	3,886,754	-	AGS-1840962			3,886,754	925,390
National Science Foundati	47.050	353,888	-	AGS-1933013			353,888	-
National Science Foundati	47.050	86,336	-	AGS-2009960			86,336	-
National Science Foundati	47.050	70,534	-	AGS-2027300			70,534	-
National Science Foundati	47.050	39,891	-	AGS-2113888			39,891	-
National Science Foundati	47.070	80	-	07/25/6046			80	-
National Science Foundati	47.070	102	-	1940795			102	-
National Science Foundati	47.070	209,492	-	2016597			209,492	-
National Science Foundati	47.070	115,375	-	CCF-1816936			115,375	-
National Science Foundati	47.070	173,195	-	CCF-1817204			173,195	-

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National Science Foundati	47.070	214,579	-	CCF-1822342			214,579	-
National Science Foundati	47.070	80,327	-	CNS-1740079			80,327	-
National Science Foundati	47.070	136,498	-	CNS-1925616			136,498	-
National Science Foundati	47.070	256,837	-	IIS 2016849			256,837	-
National Science Foundati	47.070	110,803	-	IIS 2139219			110,803	-
National Science Foundati	47.074	565,742	-	2109898			565,742	-
National Science Foundati	47.076	304,821	-	2000881			304,821	43,775
National Science Foundati	47.076	453,562	-	2010591			453,562	5,348
National Science Foundati	47.076	109,833	-	2201051			109,833	-
National Science Foundati	47.076	42,230	-	DRL-1741956			42,230	-
National Science Foundati	47.076	203,641	-	DRL-1742195			203,641	11,830
National Science Foundati	47.076	160,975	-	DRL-1933678			160,975	-
National Science Foundati	47.076	2,127,073	-	HRD-1818635			2,127,073	1,081,070
National Science Foundati	47.076	201,735	-	SRL-2055609			201,735	50,759
National Science Foundati	47.084	177,787	-	2226443			177,787	50,851
National Science Foundati	47.084	261,177	-	2226457			261,177	118,716
National Science Foundati	47.U02	536,633	-	49100421D0014			536,633	-
National Science Foundati	47.U02	385,029	-	49100422C0013			385,029	-
National Science Foundati	47.U02	2,032,004	-	NSFDACS16C1234			2,032,004	441,407
National Science Foundati	47-076	397,667	-	DRL-1906490			397,667	31,265
North Carolina State Univ	47.076	-	2,580		North Carolina State Univ	2019-3232-01	2,580	-
PURDUE UNIVERSITY	47.070	-	27,541		PURDUE UNIVERSITY	10001594-033	27,541	-
South Orange County	47.U03	-	184,903		South Orange County	SN006408	184,903	-
Univ of North Carolina	47.070	-	47,674		Univ of North Carolina	08/24/15906	47,674	-
UNIV OF SOUTHERN CAL	47.076	-	30,490		UNIV OF SOUTHERN CAL	SCON-00003045	30,490	-
WestEd	47.076	-	6,521		WestEd	S-00016449	6,521	-
Total National Science Foundation		13,694,600	463,900				14,158,500	2,769,278
Client Private								
GEORGIA INSTITUTE OF TECH	NA.U01	-	312,739		GEORGIA INSTITUTE OF TECH	D9104-S12	312,739	-
Leidos, Inc	NA.U02	-	64,184		Leidos, Inc	P010192486	64,184	-
Leidos, Inc	NA.U02	-	29,932		Leidos, Inc	P010279949	29,932	-
LOCKHEED MARTIN	NA.U03	-	622,304		LOCKHEED MARTIN	26018	622,304	-
NASA-AMES RESEARCH CENTE	NA.U04	220,035	-	80ARC018D0016			220,035	61,601
NASA-AMES RESEARCH CENTE	NA.U04	98,873	-	80ARC018D0016			98,873	-
NASA-AMES RESEARCH CENTE	NA.U04	101,440	-	80ARC018D0016			101,440	-
Systems & Technology	NA.U05	-	758,326		Systems & Technology	2021-0044	758,326	-
Systems & Technology	NA.U05	-	29,791		Systems & Technology	2021-0027	29,791	-
Systems & Technology	NA.U05	-	32,964		Systems & Technology	2021-0011	32,964	-
Systems & Technology	NA.U05	-	31,866		Systems & Technology	2021-0016	31,866	-
US GOV'T/DNP	NA.U06	756,563	-	N/A			756,563	-
US GOV'T/DNP	NA.U06	1,112,816	-	17-C-3160			1,112,816	394,306

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US GOV'T/DNP	NA.U06	96,906	-	184G001			96,906	-
US GOV'T/DNP	NA.U06	1,096,455	-	19-C-0405			1,096,455	-
US GOV'T/DNP	NA.U06	1,037,783	-	19-C-4900			1,037,783	-
US GOV'T/DNP	NA.U06	215	-	19-C-8792			215	-
US GOV'T/DNP	NA.U06	5,793,005	-	20-C-0024			5,793,005	-
US GOV'T/DNP	NA.U06	1,272,950	-	20-C-0160			1,272,950	-
US GOV'T/DNP	NA.U06	1,219,019	-	20-C-0355			1,219,019	94,000
US GOV'T/DNP	NA.U06	5,320,533	-	20C2001			5,320,533	-
US GOV'T/DNP	NA.U06	1,722,993	-	21-C-0060			1,722,993	-
US GOV'T/DNP	NA.U06	2,190,358	-	21-C-1638			2,190,358	-
US GOV'T/DNP	NA.U06	485,266	-	21-C-8162			485,266	144,920
US GOV'T/DNP	NA.U06	2,360,301	-	22-C-0068			2,360,301	1,164,001
US GOV'T/DNP	NA.U06	145,252	-	B20-2020260G002			145,252	(7,050)
Total Client Private		<u>25,030,763</u>	<u>1,882,106</u>				<u>26,912,869</u>	<u>1,851,778</u>
		<u>-</u>	<u>-</u>				<u>-</u>	<u>-</u>
Total - Research and Development Cluster		<u>205,714,230</u>	<u>31,739,288</u>				<u>237,453,518</u>	<u>36,567,020</u>
Other Programs								
Department of Defense								
ARL								
Leidos, Inc	12.U08	-	935,657		Leidos, Inc	P010252030	935,657	-
Leidos, Inc	12.U08	-	28,056		Leidos, Inc	P010245913	28,056	-
DARPA								
DARPA	12.U05	2,746,274	-	HR001122C0032			2,746,274	184,368
Dept. of Defense								
Booz Allen Hamilton	12.U03	-	47,929		Booz Allen Hamilton	A14665	47,929	-
PROBITY INC.	12.U11	-	273,784		PROBITY INC.	ACACIA-SRI-2021-01	273,784	-
Dept. of Army								
CACI TECHNOLOGIES, INC.	12.U04	-	2,861,975		CACI TECHNOLOGIES, INC.	P000074365	2,861,975	-
MISSION & INSTALLATION CO	12.U09	-	301,410		MISSION & INSTALLATION CO	W9115121D0008	301,410	-
RAVENSWOOD SOLUTIONS INC	12.U12	-	2,843		RAVENSWOOD SOLUTIONS INC	12-000038	2,843	-
ALION	12.U01	-	2,376,826		ALION	SUB1148609-002	2,376,826	-
NAVY ENGINEERING LOGIS	12.U10	954,458	-	SCR1162204			954,458	149,996
DLA								
DLA Land & Maritime	12.U06	16,038,895	-	SPE7MX-19-D-0025			16,038,895	24,000
DTRA								
American Systems	12.U02	-	251,492		American Systems	S22023	251,492	-
Eglin AFB								
USAF AFTC/PZE	12.U14	10,374,929	-	FA2487-18-D-0001			10,374,929	29,375
Naval Air Systems Command								
USAF AFTC/PZE	12.U14	37	-	FA2487-18-D-0001			37	-

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U.S. Air Force		-	-				-	-
L3Harris	12.U07	-	28,453		L3Harris	A000619713	28,453	-
UCAR	12.U13	-	596		UCAR	SUBCON001633	596	-
Total Department of Defense		<u>30,114,593</u>	<u>7,109,021</u>				<u>37,223,614</u>	<u>387,739</u>
Department of Education								
Dept of Education								
Education Development Cnt	84.U01	-	94,573		Education Development Cnt	2022-0095	94,573	-
SANTA CLARA UNIVERSITY	84.365Z	-	82,004		SANTA CLARA UNIVERSITY	N/A	82,004	-
Transcend, Inc.	84.U02	-	88,131		Transcend, Inc.	N/A	88,131	-
Westat, Inc.	84.U03	-	12,770		Westat, Inc.	6907-S-002	12,770	-
WestEd	84.411B	-	188,949		WestEd	S-00018031	188,949	-
Total Department of Education		<u>-</u>	<u>466,427</u>				<u>466,427</u>	<u>-</u>
Department of Energy								
Dept. of Energy								
Structured Materials Indu	81.049	-	51,999		Structured Materials Indu	SMI42180-040222-01	51,999	-
Total Department of Energy		<u>-</u>	<u>51,999</u>				<u>51,999</u>	<u>-</u>
Department of Health and Human Services								
DHHS								
DHHS/ACF	93.575	65,962	-	90YE0289-01-00			65,962	16,854
Total Department of Health and Human Services		<u>65,962</u>	<u>-</u>				<u>65,962</u>	<u>16,854</u>
Department of Homeland Security								
Dept. of Homeland Security								
Dept. of Homeland Security	97.U01	23,461	-	70RSAT19CB0000017			23,461	-
Total Department of Homeland Security		<u>23,461</u>	<u>-</u>				<u>23,461</u>	<u>-</u>
Federal Reserve Bank								
Federal Reserve Bank								
Federal Reserve Bank	21.U01	67,075	-	1000030			67,075	-
Federal Reserve Bank	21.U01	408,225	-	1000043543			408,225	-
Federal Reserve Bank	21.U01	80,508	-	1000006544			80,508	-
Federal Reserve Bank	21.U01	284	-	C52087			284	-
Federal Reserve Bank	21.U01	110,986	-	C50801			110,986	-
Total Federal Reserve Bank		<u>667,078</u>	<u>-</u>				<u>667,078</u>	<u>-</u>
Independent Agencies								
THE INSTITUTE OF MUSEUM AND LIBRARY SERVICES								
ASTC	45.U01	-	107,040		ASTC	N/A	107,040	-
Total Independent Agencies		<u>-</u>	<u>107,040</u>				<u>107,040</u>	<u>-</u>

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Federal Program	Assistant Listing Number	Direct Award Expenditure (\$)	Pass Through Award Expenditure (\$)	Contract Number	Pass Through Entity	Pass Through Entity Identifying Number	Total Expenditure (\$)	Passed to Sub Recipients (\$)
National Aeronautics & Space Administration								
NASA								
KBR Wyle Services, LLC	43.U01	-	69,111		KBR Wyle Services, LLC	SMS0000930	69,111	-
RAYTHEON VISION SYSTEMS	43.U02	-	84,475		RAYTHEON VISION SYSTEMS	PO4202367264	84,475	-
UNIVERSITY OF ARIZONA	43.001	-	223,819		UNIVERSITY OF ARIZONA	PO 532669	223,819	-
Total National Aeronautics & Space Administration		-	377,405				377,405	-
National Science Foundation								
NSF								
National Science Foundation	47.U01	23,994	-	49100421D0020			23,994	-
Total National Science Foundation		23,994	-				23,994	-
Client Private								
Client Private								
US GOV'T/DNP	NA.U01	2,538,609	-	2022-22033000001			2,538,609	-
Total Client Private		2,538,609	-				2,538,609	-
Total - Other Programs								
		33,433,697	8,111,892				41,545,589	404,593
Total - Expenditures of Federal Awards								
		239,147,927	39,851,180				278,999,107	36,971,613

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Year Ended December 30, 2022

1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of SRI International ("SRI") under programs of the federal government for the year ended December 30, 2022. For purposes of this Schedule, SRI has determined Other Transaction Agreements do not meet the criteria to include on the Schedule. SRI uses a fiscal year that ends on the last Friday in December. The fiscal year ended December 30, 2022 included 53 weeks of operations. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). The purpose of the Schedule is to present a summary of those activities of SRI for the year ended December 30, 2022 which have been financed by the U.S. Government. For purposes of the Schedule, federal awards include all federal assistance entered into directly and indirectly between SRI and the federal government or federal subrecipient. Expenditures reported on the Schedule are reported on the accrual basis of accounting and unlike prior years, do not represent the revenue earned on the awards. Expenditures are recognized following the cost principles contained in Title 48 U.S. *Code of Federal Regulations Federal Acquisition Regulations System* and the Uniform Guidance, as applicable, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Because the Schedule presents only a selected portion of the operations of SRI, it is not intended to and does not present the financial position, changes in net assets, or the cash flows of SRI. Assistant listing and pass-through numbers have been included when available. Negative amounts represent adjustment to amounts reported in prior years in the normal course of business.

2. Indirect Costs

SRI International applies its negotiated indirect rates when charging indirect costs to federal awards rather than the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

Indirect costs included in this Schedule have been calculated using the lesser of allowable ceiling rates or anticipated final rates. Therefore, the amounts presented in this Schedule include direct expense charges and indirect costs at anticipated final rates.

3. Classified Contracts

During the year ended December 30, 2022, SRI expended \$29,451,475 of funds under classified contracts that are designated as Client Private or Do Not Publish ("DNP") on the Schedule. These contracts have national security interests and therefore, have not been identified by the underlying federal agency name.

4. Assistance Listing Number Update

SRI made updates to the Assistance Listing Numbers (ALN) for certain government contracts in the Schedule. When ALN is not available, we added 'U' with a sequential number at the end for each contract to help clarify grouping of contracts, instead of assigning just numbers as SRI did in prior years.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

The Board of Directors
SRI International

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 (*Government Auditing Standards*), the consolidated financial statements of SRI International and subsidiaries ("SRI" or the "Entity"), which comprise the consolidated statement of financial position as of December 30, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 30, 2023.

Report on internal control over financial reporting

In planning and performing our audit of the consolidated financial statements, we considered the Entity's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity'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 consolidated 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency in the Entity's internal control.

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the Entity's consolidated 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 consolidated 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*.

Entity's response to findings

Government Auditing Standards requires the auditor to perform limited procedures on the Entity's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Entity's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we express no opinion on the Entity's response.

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 report is not suitable for any other purpose.



San Jose, California
June 30, 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
SRI International

Report on compliance for each major federal program

Opinion on each major federal program

We have audited the compliance of SRI International and subsidiaries ("SRI" or the "Entity") with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget's *OMB Compliance Supplement* that could have a direct and material effect on each of the Entity's major federal programs for the year ended December 30, 2022. The Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SRI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 30, 2022.

Basis for opinion on each major federal program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Entity 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Entity's compliance with the compliance requirements referred to above.

Responsibilities of management for compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Entity's federal programs.

Auditor's responsibilities for the audit of compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Entity's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on internal control over compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Entity's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Grant Thornton LLP

San Jose, California
August 11, 2023

SRI International

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 30, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weaknesses? X yes no

Noncompliance material to financial statements
noted? yes X no

Federal Awards

Internal control over the major program:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified that are not
considered to be material weaknesses? yes X none reported

Type of auditors' report issued on compliance for
the major program: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR
200.516(a)? yes X no

**Identification of the major
programs:**

Assistance Listing Number	Name of Federal Program or Cluster
Various	Research and Development Cluster
12.NA6	DLA Land & Maritime

Dollar threshold used to distinguish between type
A and type B programs: \$3,000,000

Auditee qualified as low-risk auditee? X yes no

SRI International

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

For the Year Ended December 30, 2022

SECTION II - FINANCIAL STATEMENT FINDING

Finding #: 2022-001

Type of Finding: Schedule of Expenditures of Federal Awards ("SEFA"), Internal Control (Significant Deficiency)

Criteria:

In accordance with SEFA reporting requirement outlined in 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the SEFA must list each federal award by federal agency, assistance listing number and amount expended.

Condition:

The SEFA, as initially prepared, included inappropriate groupings of unrelated contracts giving the impression some federal awards were larger than they were. This gave the impression there were more federal award programs that would be major programs subject to audit than contemplated by 2 CFR 200.

Cause:

Based on discussions with personnel, the above occurred due to turnover within the organization and an insufficient review of the SEFA before it was submitted for audit.

Effect:

Without proper review and approval procedures in place, the SEFA has the potential of being misstated.

Identification as a Repeat Finding:

This is not a repeat finding.

Recommendation:

Management has since corrected the presentation of the SEFA to address any errors noted. Prospectively, we recommend utilizing a disclosure checklist to ensure adherence to the SEFA reporting requirement outlined on 2 CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Views of Responsible Official: Management agrees with the finding.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None reported

SRI International

Summary Schedule of Prior Year Findings

Year Ended December 30, 2022

Finding 2021-001: Equipment

Assistance Listing #: 12.300 (R&D Cluster)

Contract number: Client Private

Award year: 2021

Federal Agency: Department of Army

Pass Through Entity: N/A

Summary of Finding

The audit team was unable to access and physically inspect 1 out of 25 of equipment selections. The equipment selection was in a restricted/classified portion of the SRI's facilities. As such, the audit team was unable to physically inspect the equipment selection and thus unable to conclude that compliance requirements were met.

SRI's Response

SRI manages property in its control, in accordance with contractual requirements and SRI's established property control system with a goal of continuous improvement. SRI performs regular self-assessments and conducts periodic inventories that ensures SRI is a responsible contracting party who provides the customer with the best value while avoiding undue risk.

One of the equipment selections was in a restricted/classified portion of SRI's facilities. As such, PwC was unable to physically inspect the equipment selections and thus unable to conclude that compliance requirements were met.

Corrective Action

This issue does not reflect a process issue on the part of SRI rather it is a security issue of the United States Government that does not allow PwC employees to access classified equipment without proper clearance.

Current Status

Not material in fiscal year 2022.

SRI International

Management's View and Corrective Action Plan

Year Ended December 30, 2022

Finding #: 2022-001

Type of Finding: Schedule of Expenditures of Federal Awards ("SEFA"), Internal Control (Significant Deficiency)

Summary of Finding

The SEFA, as initially prepared, included inappropriate groupings of unrelated contracts giving the impression some federal awards were larger than they were. This gave the impression there were more federal award programs that would be major programs subject to audit than contemplated by 2 CFR 200.

SRI's Response

The Schedule of Expenditures of Federal Awards, ("SEFA") initially provided to the auditor was a draft version of the report. It was not reviewed for accuracy or completeness at that time. SRI went through several iterations of reviews and updates since the initial SEFA was provided. The inappropriate grouping of unrelated contracts was identified and updated accordingly. The updated version of the SEFA was provided to the auditor during the audit.

Corrective Action

The issue of inappropriate grouping of unrelated contracts noted by the auditors for the initial draft of FY22 SEFA was identified during SRI's subsequent review and updated accordingly. SRI Accounting team provided the updated SEFA to the auditors on March 23, 2023.