

Center for Strategic and International Studies, Inc.

Financial Report
September 30, 2023

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Center for Strategic and International Studies, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Center for Strategic and International Studies, Inc. (CSIS), which comprise the balance sheet as of September 30, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 CSIS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 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 financial statements.

In the performing an audit in accordance with 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 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 CSIS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CSIS'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.

Report on Summarized Comparative Information

We have previously audited CSIS's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 29, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 10, 2024, on our consideration of CSIS'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 CSIS'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 CSIS's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
April 10, 2024

Center for Strategic and International Studies, Inc.

Balance Sheet
September 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Assets		
Cash and cash equivalents	\$ 15,914,977	\$ 20,385,801
Receivables, net	6,415,136	5,804,588
Prepaid expenses and other assets	347,050	278,407
Investments	88,563,043	75,233,606
Promises to give, net	49,227,335	12,301,049
Property and equipment, net	85,827,227	87,884,617
	\$ 246,294,768	\$ 201,888,068
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,645,761	\$ 3,531,619
Refundable advances	-	7,947
Deferred revenue	1,287,010	1,727,426
Bonds payable, net	26,345,963	27,426,574
	31,278,734	32,693,566
Commitments and contingencies (Notes 4 and 12)		
Net assets:		
Without donor restrictions:		
Undesignated	99,439,977	94,968,655
Board-designated	1,275,000	1,275,000
	100,714,977	96,243,655
With donor restrictions	114,301,057	72,950,847
	215,016,034	169,194,502
	\$ 246,294,768	\$ 201,888,068

See notes to financial statements.

Center for Strategic and International Studies, Inc.

Statement of Activities
Year Ended September 30, 2023
(With Comparative Totals for 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions	\$ 20,799,222	\$ 38,532,267	\$ 59,331,489	\$ 33,269,239
Non-federal grants and contracts	1,704,201	26,963,165	28,667,366	12,462,066
Federal grants and contracts	6,544,985	-	6,544,985	6,835,406
Foreign government grants and contracts	3,257,008	1,053,795	4,310,803	4,808,360
Investment gain designated for operations, net	2,476,579	-	2,476,579	2,014,072
Rental income and other	372,534	-	372,534	418,675
Net assets released from restrictions	27,008,957	(27,008,957)	-	-
Total support and revenue	62,163,486	39,540,270	101,703,756	59,807,818
Expenses:				
Program services	36,808,830	-	36,808,830	31,879,120
Supporting services:				
Management and general	15,551,269	-	15,551,269	13,844,754
Development	3,579,865	-	3,579,865	2,939,304
Total supporting services	19,131,134	-	19,131,134	16,784,058
Total expenses	55,939,964	-	55,939,964	48,663,178
Change in net assets before other items	6,223,522	39,540,270	45,763,792	11,144,640
Investment (loss) gain designated for non-operations, net	(1,752,200)	1,809,940	57,740	112,716
Change in net assets	4,471,322	41,350,210	45,821,532	11,257,356
Net assets:				
Beginning	96,243,655	72,950,847	169,194,502	157,937,146
Ending	\$ 100,714,977	\$ 114,301,057	\$ 215,016,034	\$ 169,194,502

See notes to financial statements.

Center for Strategic and International Studies, Inc.

**Statement of Functional Expenses
Year Ended September 30, 2023
(With Comparative Totals for 2022)**

	2023					2022
	Programs	Management and General	Development	Facilities	Total	Total
Salaries	\$ 18,273,907	\$ 9,059,222	\$ 2,074,393	\$ 416,735	\$ 29,824,257	\$ 26,349,002
Fringe benefits	3,953,338	1,115,796	421,126	-	5,490,260	5,502,505
Consultants and subgrants	4,524,138	877,905	152,172	9,406	5,563,621	5,023,936
Travel, conferences and meetings	4,713,517	79,120	256,281	14,525	5,063,443	2,760,754
Interest expense	-	-	-	830,181	830,181	898,017
Property tax	-	9,784	-	1,364,598	1,374,382	710,893
Depreciation	-	674,254	-	2,023,901	2,698,155	2,812,748
Amortization and finance charges	-	-	-	39,388	39,388	39,388
Printing, books and other publications	397,680	-	-	-	397,680	294,446
Dues, memberships and registrations	29,577	407,031	43,504	-	480,112	542,516
Telephone	35,891	93,774	968	-	130,633	145,955
Courier and postage	6,905	-	3,242	-	10,147	7,437
Office expenses	169,076	74,931	5,119	804	249,930	175,143
Computer services	389,054	1,072,522	19,850	4,320	1,485,746	1,024,641
Legal, audit and insurance	67,031	410,631	-	-	477,662	418,848
Utilities	-	-	-	245,428	245,428	330,517
Facilities management and maintenance	-	7,198	-	1,246,528	1,253,726	1,097,772
Bad debt expense	191,787	-	-	-	191,787	203,456
Other	-	115,711	14,053	3,662	133,426	325,204
	32,751,901	13,997,879	2,990,708	6,199,476	55,939,964	48,663,178
Facilities allocation	4,056,929	1,553,390	589,157	(6,199,476)	-	-
	\$ 36,808,830	\$ 15,551,269	\$ 3,579,865	\$ -	\$ 55,939,964	\$ 48,663,178

See notes to financial statements.

Center for Strategic and International Studies, Inc.

Statement of Cash Flows
Year Ended September 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 45,821,532	\$ 11,257,356
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,698,155	2,812,748
Amortization of loan issuance cost	39,388	39,388
Net unrealized and realized gain on investments	(2,858,831)	(2,480,861)
Bad debt expense	191,787	203,456
Increase in discount to net present value	(1,647,314)	(495,659)
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables	(802,335)	(775,483)
Prepaid expenses and other assets	(68,643)	100,193
Promises to give	(35,278,972)	(5,531,921)
Increase (decrease) in:		
Accounts payable and accrued expenses	114,142	536,856
Refundable advances	(7,947)	(869,376)
Deferred revenue	(440,416)	(396,243)
Net cash provided by operating activities	7,760,546	4,400,454
Cash flows from investing activities:		
Proceeds from sales of investments	22,370,541	46,518,388
Purchases of investments	(32,841,147)	(41,759,450)
Purchases of property and equipment	(640,765)	(1,416,946)
Net cash (used in) provided by investing activities	(11,111,371)	3,341,992
Cash flows from financing activities:		
Payments on borrowings on notes payable	(1,119,999)	(1,085,000)
Net cash used in financing activities	(1,119,999)	(1,085,000)
Net (decrease) increase in cash and cash equivalents	(4,470,824)	6,657,446
Cash and cash equivalents:		
Beginning	20,385,801	13,728,355
Ending	\$ 15,914,977	\$ 20,385,801
Supplemental disclosures of cash flow information:		
Cash payments for interest	\$ 830,181	\$ 898,017

See notes to financial statements.

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Center for Strategic and International Studies, Inc. (CSIS) is a public policy research institution dedicated to creating strategic analysis and policy solutions. CSIS maintains resident experts on all of the world's major geographical regions. It also covers key functional areas, such as international trade and finance, technology policy, energy policy and U.S. foreign policy and national security.

Its goal is to inform and shape selected policy decisions in government and the private sector by providing long-range, anticipatory and integrated thinking over a wide range of policy issues.

A summary of CSIS's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities topic of the ASC, Financial Statements of Not-for-Profit Organizations, CSIS is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Net assets without donor restrictions: Resources available to support CSIS general operations and include board-designated net assets and quasi-endowment funds. Board-designated net assets are net assets without donor restrictions designated by the Board of Trustees for specific purposes. Board-designated net assets consist of \$800,000 for the Korea Chair, \$300,000 for the Harold Brown Chair and \$175,000 for the Anne Armstrong Leadership Fund.

Net assets with donor restrictions: Resources received by CSIS from contributors or grantors that are purpose-restricted, time-restricted or both purpose- and time-restricted. Time restrictions include resources received with donor instructions that they be held by CSIS in perpetuity. Investment earnings on these perpetual assets with purpose restrictions accrue to the purpose designated by the donor.

Cash and cash equivalents: For the purpose of reporting cash flows, CSIS considers all money market funds to be cash equivalents as they have an original maturity of three months or less. However, CSIS considers all assets held in brokerage accounts to be investments on the accompanying balance sheet, and amounts not available for current operations are reported separately.

Financial risk: CSIS maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. CSIS has not experienced any losses in such accounts. CSIS believes it is not exposed to any significant financial risk on cash.

CSIS invests in a professionally managed portfolio that contains a hedge fund of funds and a limited partnership. Such investments are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements. Additionally, the liquidation of the hedge fund of funds and the limited partnership requires advance notification to the investment funds, in addition to restrictions on when redemptions may occur. See Note 2 for details.

Receivables: Receivables are carried at original invoice amounts, less an estimate made for doubtful accounts based on a review of outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Interest is not recorded on any past due balances. The provision for doubtful accounts was \$283,846 at September 30, 2023, based on management's evaluation of the collectability of receivables.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments in a hedge fund of funds and limited partnership are valued at fair value based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date, as determined by CSIS. In determining fair value, CSIS utilizes valuations provided by the fund manager of the underlying investment funds. The underlying investment funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying funds, which may include private placements and other securities for which prices are not readily available, are determined by the underlying fund manager, and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized.

Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of CSIS's investments in the hedge fund of funds and limited partnership generally represents the amount CSIS would expect to receive if it were to liquidate its investment in the hedge fund of funds excluding any redemption charges that may apply.

Promises to give: Unconditional promises to give are recognized as revenue in the period that CSIS is notified of the contribution by the donor and acknowledged and identified by the donor. Unconditional promises to give are initially recorded at fair value, less an estimate made for doubtful promises, based on a review of all outstanding promises on a monthly basis. Promises to give to be collected after one year are discounted at an appropriate discount rate commensurate with the risks involved. Management determines the allowance for doubtful promises by using the historical experience applied to an aging of promises. Promises are written off when deemed uncollectible. The provision for doubtful accounts was \$0 at September 30, 2023, based on management's evaluation of the collection of promises to give. For the year ended September 30, 2023, CSIS recorded \$0 of bad debt expense on unconditional promises to give.

Property and equipment: Property and equipment are recorded at cost. Depreciation is computed using the straight-line method calculated to depreciate the cost of the applicable assets over estimated lives of three to 40 years. CSIS capitalizes all property and equipment purchased with a cost of \$1,000 or more. Costs incurred in the development of software for internal use are expensed during the preliminary and post-implementation operation stages, including data conversion, training and maintenance costs. Costs incurred during the application development stage of software development are capitalized. The buildings are stated at cost and are depreciated using the straight-line method over an estimated useful life of 40 years, with no salvage value. Building improvements greater than \$1,000 are capitalized and amortized using the straight-line method over the remaining estimated life of the related building or the estimated life of the asset, whichever is less. Expenditures for minor repairs and maintenance costs are expensed when incurred. Land and artwork are recorded at cost or fair value at time of donation. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses.

Valuation of long-lived assets: CSIS reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted 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 estimated fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value, less costs to sell.

Deferred revenue: Amounts on contracts received prior to the service being performed are recorded as deferred revenue.

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Bond issuance costs: Bond issuance costs are capitalized and amortized using the effective interest method over the term of the bonds.

Revenue recognition: CSIS recognizes unconditional contributions, non-federal grants and contracts, including unconditional promises to give, as revenue in the period received and/or when unconditional promises are received. All unconditional contributions, non-federal grants and contracts are considered to be available for unrestricted use, unless specifically restricted by the donor. Unconditional gifts, grants and contracts that are expected to be collected within one year are recorded at net realizable value. Unconditional gifts, grants and contracts that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using market rates that are commensurate with the risks identified. The portion of unconditional gifts, grants and contracts that was discounted in prior fiscal years but is collected in the current year is recorded as revenue in the current year. Contributions, non-federal grants and contracts that have been committed to CSIS but have not been received are reflected as receivable in the accompanying balance sheet.

Net assets with donor restrictions become net assets without donor restrictions when the respective time restriction expires, or during the period the funds are used for the restricted purpose. The conversion of net assets with donor restrictions to net assets without donor restrictions is reported in the accompanying statement of activities as net assets released from restrictions.

CSIS's revenue streams from contracts with customers are comprised primarily from rental income. CSIS's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a point in time. CSIS's revenue under contracts with customers is primarily earned in the United States of America.

Rental income on leased space is recorded on a straight-line basis over the entire lease term.

CSIS is the recipient of grants from the federal government to fund various programs. These grants generally considered conditional grants as they typically contain a barrier and right of return. Grant funds are recorded as revenue when the related approved expenditures are made. Recognized conditional grants are recorded to net assets without donor restrictions if any purpose or time restrictions are met simultaneously with (or before) the condition. Grant funds received prior to the incurrence of related costs by CSIS are considered refundable advances.

CSIS's revenue from contracts with customers are generally for one year or less. The contracts do not include significant financing components and do not have variable considerations. CSIS did not have impairment or credit losses on any receivables or contract assets arising from contracts with customers. The primary factor affecting future revenue and cash inflows is the use of the CSIS services. Management does not believe there is a material risk of loss for future revenue and cash inflows.

Expenses: Direct costs associated with specific programs are recorded as program and development expenses. Fringe benefits are allocated based on salaries. Facilities costs are allocated based on square footage. Management and general expenses are unallocated in the statement of activities.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Endowments: The ASC topic on Not-For-Profit Entities provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). Effective January 23, 2008, the District of Columbia enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. The ASC requires disclosures about an organization's endowed funds (both donor-restricted endowment funds and board-designated endowment funds).

Financial instruments with off-balance-sheet risk: The ASC topic on fair value measurement for financial assets and liabilities measured on a recurring basis defines fair value and establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The topic emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, the topic established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

- Level 1:** Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.
- Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.
- Level 3:** Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

CSIS's assets and liabilities measured at fair value on a recurring basis as of September 30, 2023, are presented in accordance with the fair value standards in Note 5.

Use of estimates: The preparation of 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The financial statements include certain prior year summarized comparative information in total, but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with CSIS's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

Income taxes: CSIS is exempt from federal income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code (the Code) and has been designated by the Internal Revenue Service as a publicly supported organization under Section 509(a)(1) of the Code. CSIS engages in certain activities that produce unrelated business income, as defined by federal income tax regulations.

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Adopted accounting pronouncement: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activity. CSIS adopted Topic 842 on October 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, CSIS has applied Topic 842 to reporting periods beginning on October 1, 2022, while prior periods continue to be reported and disclosed in accordance with the CSIS's historical accounting treatment under ASC Topic 840, Leases.

The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

Subsequent events: CSIS has evaluated subsequent events through April 10, 2024, the date on which the financial statements were available to be issued.

Note 2. Liquidity and Availability of Financial Assets

CSIS has various sources of liquidity at its disposal, including cash and cash equivalents, investments, receivables due within one year and a line of credit. CSIS strategically manages these financial resources to maximize investment return on funds not required for operations.

Financial assets and liquidity resource available for general expenditure within one year of the September 30, 2023, balance sheet include the following:

Financial assets available on September 30, 2023:

Cash and cash equivalents, available	\$ 15,914,977
Accounts receivable due in one year	6,415,136
Investments	88,563,043
Promises to give	49,227,335
Total financial assets available	<u>160,120,491</u>
Less those unavailable for general expenditures within one year due to:	
Donor-restricted net assets	(114,301,057)
Board-designated net assets	(1,275,000)
Deferred revenue	(1,287,010)
Bonds payable, current portion	(1,150,000)
Reduction of available financial assets	<u>(118,013,067)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 42,107,424</u>

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 3. Receivables

Receivables at September 30, 2023, consist of the following:

Grants and contracts—billed	\$ 3,596,624
Grants and contracts—unbilled	2,447,733
Advances	25,072
Miscellaneous	629,553
	<u>6,698,982</u>
Less allowance for doubtful accounts	283,846
	<u>\$ 6,415,136</u>

Note 4. Investments

Investments at September 30, 2023, consist of the following:

Money market	\$ 37,665,510
EFT	2,883,161
Mutual fund	1,001,373
Limited partnership	39,981,962
Offshore funds	7,031,037
	<u>\$ 88,563,043</u>

Investment income is apportioned on the statement of activities between operating and non-operating components, with operating investment income calculated as 4% of the three-year average of the total investment portfolio balance plus unrestricted cash, inclusive of interest and dividend income from investments, as well as interest income from cash accounts.

Investment income for the year ended September 30, 2023, consists of the following:

Interest and dividends	\$ 97
Unrealized and realized gain on investments, net	2,858,831
Investment fees	(324,609)
	<u>\$ 2,534,319</u>

As of September 30, 2023, CSIS's investments include a limited partnership and offshore funds valued utilizing their net asset value (NAV) per share or its equivalent as a practical expedient to estimate the fair value of these investments. In accordance with ASC Topic 820-10, investments that are measured at fair value using NAV per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 4. Investments (Continued)

The following tables summarize these investments whose fair value is based on NAV per unit as practical expedient by major class as of September 30, 2023:

Investment	Fair Value at September 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership (a)	\$ 39,981,962	\$ 2,420,813	Bi-Annual	120 Days
Offshore funds (b)	7,031,037	-	Daily	45 -150 Days
	<u>\$ 47,012,999</u>			

(a) This category consists of an investment in a private investment partnership offering and endowment-style investment program to institutional investors in pooled accounts. The partnership invests with a long-term horizon, seeking varied and non-traditional investment opportunities in an effort to provide a diversified, single portfolio investment strategy for its investors.

(b) This category consists of offshore funds which invests in equity stocks and other private placements.

Note 5. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

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

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In certain cases, the inputs used to measure the fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. CSIS's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

Description	September 30, 2023			Total
	Level 1	Level 2	Level 3	
Cash equivalents:				
Money market fund	\$ 37,665,510	\$ -	\$ -	\$ 37,665,510
EFT	2,883,161	-	-	2,883,161
Mutual fund	1,001,373	-	-	1,001,373
	<u>\$ 41,550,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>41,550,044</u>
Investments valued using NAV (a)				47,012,999
Total investments				<u>\$ 88,563,043</u>

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 5. Fair Value Measurements (Continued)

(a) In accordance with Subtopic 820-10 as amended by Accounting Standards Update 2015-07, certain investments that were measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the balance sheet.

Money market funds are classified as Level 1 instruments as they are actively traded on public exchanges.

Note 6. Promises to Give

Promises to give to be collected in more than one year from the date of the donor's commitment are measured using the present value of future cash flows based on a discount rate of 3.00% to 3.75%. Promises to give at September 30, 2023, consist of amounts by due date as follows:

Less than one year	\$ 14,813,839
One to five years	34,900,000
Thereafter	<u>2,000,000</u>
	51,713,839
Less discount to net present value	<u>2,486,504</u>
	<u><u>\$ 49,227,335</u></u>

Promises to give of \$41,158,839 are due from members of the Board of Trustees at September 30, 2023 and \$16,000,000 are restricted in perpetuity to endowment.

Note 7. Property and Equipment

Property and equipment and accumulated depreciation at September 30, 2023, and depreciation expense for the year ended September 30, 2023, are as follows:

Asset Category	Estimated Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Land	-	\$ 33,117,228	\$ -	\$ 33,117,228	\$ -
Building	40 years	67,789,349	16,796,673	50,992,676	1,692,826
Computer equipment	3 to 5 years	6,237,250	5,575,519	661,731	359,410
Furniture	5 to 15 years	2,354,723	1,912,204	442,519	134,947
Office equipment	5 to 8 years	2,102,648	1,703,885	398,763	210,771
Website	-	63,928	2,209	61,719	2,209
Software	3-7 years	653,516	500,925	152,591	297,992
		<u>\$ 112,318,642</u>	<u>\$ 26,491,415</u>	<u>\$ 85,827,227</u>	<u>\$ 2,698,155</u>

Note 8. Bonds Payable

On December 27, 2017, CSIS obtained a 15.25-year, \$46,330,000 loan from a financial institution. The purpose of the loan was to refinance, by defeasance, CSIS's District of Columbia Series 2011 Tax-Exempt Bonds, plus the costs of issuance. The loan was issued at a 3.04% interest rate and a 15-year amortization, with a \$15,000,000 principal payment due on March 1, 2021, and a \$15,000,000 balloon payment due at the end of the loan term, on March 1, 2033. CSIS's headquarters building located in Washington, D.C. is security collateral on the loan.

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 8. Bonds Payable (Continued)

The loan contains various restrictive and financial covenants, including a long-term debt service coverage ratio of not less than 1.10 (measured annually and calculated on a rolling 24 month basis), a liquidity covenant requiring a minimum amount of \$15,000,000 in unrestricted cash, cash equivalents and investments, delivery of audited financial statements within 150 days of the fiscal year-end, a 70% maximum loan-to-value of all funded debt secured by the building and a minimum 51% occupancy rate of rentable space in the building.

At September 30, 2023, the loan had an outstanding balance of \$26,730,000. Interest expense on the loan was \$838,128 for the year ended September 30, 2023. The cost of issuance totaled \$610,520, and will be amortized over the term of the loan. Amortized loan issuance costs total \$39,388 for the year ended September 30, 2023.

	Interest Rate	Maturity
March 1, 2033	3.04%	\$ 26,730,000
		26,730,000
Less unamortized loan issuance costs		384,037
		<u>\$ 26,345,963</u>

Future principal payments for the years ending September 30, are as follows:

Years ending September 30:	
2024	\$ 1,150,000
2025	1,190,000
2026	1,225,000
2027	1,265,000
2028	1,300,000
Thereafter	20,600,000
	<u>26,730,000</u>
Less loan issuance costs	384,037
	<u>\$ 26,345,963</u>

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions

At September 30, 2023, net assets with donor restrictions consist of time and purpose restricted programs, chairs and endowments. The net assets with donor restrictions consist of the following:

	Balance September 30, 2022	Additions, Transfers and Changes in Discount	Releases	Balance September 30, 2023
Time restrictions:				
Promises to give—securing our futures	\$ 1,684,194	\$ 67,946	\$ (850,000)	\$ 902,140
Promises to give—capital campaign	8,177,616	18,899,129	(4,040,000)	23,036,745
Total time-restricted	<u>9,861,810</u>	<u>18,967,075</u>	<u>(4,890,000)</u>	<u>23,938,885</u>
Purpose restrictions—projects:				
Asia Programs	2,231,590	6,621,496	(5,670,343)	3,182,743
Geoeconomic Center	-	3,200,000	(58,626)	3,141,374
Wadhvani Center	-	5,885,000	(649,879)	5,235,121
Global Health Program	1,892,956	300,514	(1,775,967)	417,503
International Security Program	1,205,406	2,803,077	(2,082,594)	1,925,889
AI Governance	87,125	-	(87,125)	-
Other projects	2,674,467	50,754	(1,587,873)	1,137,348
Strategy Task Force	166,997	-	(133,265)	33,732
Europe Program	300,477	133,426	(411,676)	22,227
Energy Program	122,855	337,252	(457,691)	2,416
Middle East Program	200,894	478,571	(223,370)	456,095
TransNational ThreatsProgram	371,662	-	(357,640)	14,022
Simon Chair Program	223,951	584,799	(721,672)	87,078
AILA/Leadership Academy	764,508	1,342,670	(1,390,812)	716,366
Renewing American Innovation	405,067	700,000	(726,136)	378,931
Project on Prosperity and Development	356,128	1,160,989	(1,286,130)	230,987
Human Rights Initiative	250,824	270,364	(322,197)	198,991
Global Food Security	246,965	1,178,500	(651,221)	774,244
Scholl Chair Program	17,845	234,403	(169,847)	82,401
Technology Policy Program	102,480	85,000	(121,958)	65,522
Africa Program	13,340	449,513	(298,491)	164,362
Australia Chair	202,725	580,820	(529,639)	253,906
Americas Program	62,306	243,493	(288,372)	17,427
Project on Trade and Technology	-	435,400	(111,597)	323,803
Development	234,122	20,500	(40,772)	213,850
Total projects	<u>12,134,690</u>	<u>27,096,541</u>	<u>(20,154,893)</u>	<u>19,076,338</u>
Purpose restrictions—chairs:				
Abshire-Inamori Academy	6,464,599	179,184	(236,887)	6,406,896
Strategic Investment Fund	-	5,000,000	-	5,000,000
Simon Chair	2,126,795	59,004	(78,085)	2,107,714
Dr. Abshire Annual Lecture	1,018,787	29,321	(38,771)	1,009,337
Intern Scholars	881,310	24,615	(32,531)	873,394
Hamre Endowment	500,000	-	-	500,000
Harold Brown	860,201	49,592	(65,615)	844,178
Zbigniew Brzezinski Annual Prize and Lecture	587,844	16,289	(21,540)	582,593
Schreyer Chair	537,431	15,746	(20,891)	532,286
Moorer Leadership	342,070	9,593	(12,669)	338,994
Sam Nunn Annual Lecture	331,906	9,231	(12,148)	328,989
Kissinger Chair	274,504	8,326	(10,989)	271,841
Burke Chair	42,704	1,810	(2,277)	42,237
Total chairs	<u>13,968,151</u>	<u>5,402,711</u>	<u>(532,403)</u>	<u>18,838,459</u>
Total time and purpose restricted	<u>35,964,651</u>	<u>51,466,327</u>	<u>(25,577,296)</u>	<u>61,853,682</u>

(Continued)

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions (Continued)

	Balance September 30, 2022	Additions, Transfers and Changes in Discount	Releases	Balance September 30, 2023
Endowment :				
Endowment not subject to appropriations:				
Korea Chair	\$ 3,900,000	\$ -	\$ -	\$ 3,900,000
Dracopoulos Ethics & Intern Scholarship	1,000,000	-	-	1,000,000
Dracopoulos Ideas Lab	8,500,000	1,000,000	-	9,500,000
Howard Leach	1,000,000	-	-	1,000,000
Khosravi Chair	3,000,000	-	-	3,000,000
Scholl Chair	1,800,000	-	-	1,800,000
Abshire Lecture	182,705	-	-	182,705
Freeman Chair in China Studies	3,840,000	-	-	3,840,000
Anderson Fund	960,500	-	-	960,500
Brzezinski Chair	603,198	-	-	603,198
Lillan and Robert D. Stuart Jr. Center	5,000,000	-	-	5,000,000
Langone Chair	1,500,000	-	-	1,500,000
Goeconomic Center	-	4,828,611	-	4,828,611
Hess Center	-	9,657,000	-	9,657,000
Harold Brown Chair	500,000	-	-	500,000
Total endowments not subject to appropriations	31,786,403	15,485,611	-	47,272,014
Cumulative earnings on endowment subject to appropriations	5,199,793	1,407,229	(1,431,661)	5,175,361
Total endowment	36,986,196	16,892,840	(1,431,661)	52,447,375
	\$ 72,950,847	\$ 68,359,167	\$ (27,008,957)	\$ 114,301,057

Promises to give for the capital campaign and Securing Our Futures Capital Campaign Fund at September 30, 2023, as noted above, are \$23,938,885, a difference of \$25,288,450, as compared to total promises to give of \$49,227,335, per Note 2. This difference consists of \$595,000 of campaign related permanently restricted endowment promises to give and \$25,207,839 for non-campaign related programs of CSIS and \$(514,389) the discount rate of the endowment present value.

Note 10. Endowment Funds

Interpretation of relevant law: CSIS has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CSIS classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, CSIS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The purpose of CSIS and donor-restricted endowment fund.
- The duration and preservation of the fund.
- General economic conditions.
- The possible effect of inflation and deflation.

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 10. Endowment Funds (Continued)

- The expected total return from income and the appreciation of investments.
- Other available financial resources.
- Investment policies.

Investment and spending policies: CSIS invests all endowment funds, including board-designated endowments, in a pooled fund managed by an investment manager according to the objectives and guidelines of the CSIS's Statement of Investment Policy. The Finance and Investment Committee is specifically charged with conducting periodic reviews of the performance and mix of the investments that make up the CSIS Endowment Fund portfolio. Annually, CSIS spends approximately 4% of the three-year rolling average of the Endowment Fund balance.

Endowment fund activity for the year ended September 30, 2023, consists of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 36,986,196	\$ 36,986,196
Additions		15,485,611	15,485,611
Investment gain, net	-	1,407,229	1,407,229
Amounts appropriated for expenditure	-	(1,431,661)	(1,431,661)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 52,447,375</u>	<u>\$ 52,447,375</u>

All CSIS endowment funds are included with the investments as shown in Note 4.

Endowment net assets are composed of the following funds at September 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 52,447,375	\$ 52,447,375
Board-designated endowment funds	-	-	-
	<u>\$ -</u>	<u>\$ 52,447,375</u>	<u>\$ 52,447,375</u>

Note 11. Retirement Plan

CSIS has a defined contribution retirement plan (the Plan) covering all full-time employees who have completed two years of service. Under the Plan, CSIS makes contributions to retirement funds based on a percentage of the payroll of covered employees. These contributions, together with voluntary employee contributions, are used to purchase annuities, the right to which is vested immediately with the employee. During the year ended September 30, 2023, CSIS contributed \$1,597,690 to the Plan.

Center for Strategic and International Studies, Inc.

Notes to Financial Statements

Note 12. Contingency

Federal grants: CSIS participates in federally assisted grant programs which are subject to a financial and compliance audit by the federal agency or their representatives. Management does not anticipate any significant adjustments as a result of such an audit.

Note 13. Conditional Promises to Give From Donors

CSIS has conditional grants from grantors and donors of \$2,043,050 as of September 30, 2023. Future payments are contingent upon CSIS meeting donor-imposed barriers and rights of return to the donors stipulated by the grant agreement.



RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Trustees
Center for Strategic and International Studies, Inc.

We have audited the financial statements of Center for Strategic and International Studies, Inc. (CSIS) as of and for the year ended September 30, 2023, and have issued our report thereon which contains an unmodified opinion on those financial statements. See pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information for the year ended September 30, 2023, is fairly stated in all material respects in relation to the 2022 financial statements as a whole.

The supplementary information for the year ended September 30, 2022, was previously audited by us and, in our report dated March 29, 2023, we expressed an unmodified opinion on such information in relation to the 2022 financial statements as a whole.

RSM US LLP

Washington, D.C.
April 10, 2024

Center for Strategic and International Studies, Inc.

**Fringe Benefit Rate Calculation
Year Ended September 30, 2023
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
Salaries expense*	<u>\$ 29,407,522</u>	<u>\$ 25,907,645</u>
Fringe benefits expense	<u>\$ 5,490,260</u>	<u>\$ 5,502,505</u>
Fringe benefits as a percent of salaries	<u>18.67%</u>	<u>21.24%</u>

*Salaries expense excludes leased employees.

Center for Strategic and International Studies, Inc.

**Management and General Rate Calculation
Year Ended September 30, 2023
(With Comparative Totals for 2022)**

	2023	2022
Management and general expenses:		
Salaries	\$ 9,059,222	\$ 7,719,406
Facilities cost allocation	1,553,390	1,367,217
Consultants and subgrants	877,905	830,125
Fringe benefits	1,115,796	1,503,876
Depreciation	674,254	833,602
Property tax	9,784	45
Facilities management and maintenance	7,198	207
Other	115,711	148,278
Dues, memberships and registrations	407,031	279,632
Legal, audit and insurance	410,631	372,822
Office expenses	74,931	86,642
Computer services	1,072,522	614,094
Telephone	93,774	88,808
Travel	79,120	-
Total management and general expenses	\$ 15,551,269	\$ 13,844,754
Direct costs:		
Programs	\$ 36,808,830	\$ 31,879,120
Development	3,579,865	2,939,304
Total direct costs	\$ 40,388,695	\$ 34,818,424
Management and general expenses as a percentage of direct costs	38.50%	39.76%

Center for Strategic and International Studies, Inc.

Uniform Guidance
Supplementary Financial Report
September 30, 2023

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RSM US LLP

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

Independent Auditor's Report

Board of Trustees
Center for Strategic and International Studies, Inc.

We have audited, in accordance with the 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 financial statements of Center for Strategic and International Studies, Inc. (CSIS), which comprise CSIS's balance sheet as of September 30, 2023, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements (collectively, the financial statements), and have issued our report thereon dated April 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CSIS'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of CSIS's internal control. Accordingly, we do not express an opinion on the effectiveness of CSIS'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 CSIS's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CSIS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

RSM US LLP

Washington, D.C.
April 10, 2024

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the
Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Independent Auditor's Report

Board of Trustees
Center for Strategic and International Studies, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Center for Strategic and International Studies, Inc.'s (CSIS) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of CSIS's major federal programs for the year ended September 30, 2023. CSIS'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, CSIS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

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 (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 CSIS and to meet our other ethical responsibilities, in accordance with 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 CSIS'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 CSIS'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 CSIS'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 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 CSIS's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with 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 CSIS'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 CSIS's 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 CSIS'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 in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of CSIS as of and for the year ended September 30, 2023, and have issued our report thereon dated April 10, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Washington, D.C.
April 10, 2024

Center for Strategic and International Studies, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Direct Award/ Contract Number	Total Federal Expenditures	Amount Provided to Subrecipients
Research and Development Cluster				
U.S. Department of Energy				
Defense Nuclear Nonproliferation Research	81.113			
Project on Nuclear Issues (PONI)		DE-NA0003970	\$ 128,954	\$ -
European Trilateral Track II Nuclear Dialogue		DE-NA0003970	187,379	-
Project on Nuclear Issues (PONI)		DE-NA0003970	146,857	-
European Trilateral Track II Nuclear Dialogue		DE-NA0003970	52,029	-
Total U.S. Department of Energy			515,219	-
U.S. Department of State				
Public Diplomacy Programs	19.040			
PD-SEOUL-ROK-U.S. Exchange		SKS70022GR0037	96,709	-
Data-Driven Visualization of PRC Environmental Degradation in the South China Sea		SGECPD22CA0041	214,449	-
Shared Threat Perceptions and Defense Cooperation between the U.S., Japan, and the Philippines During a Taiwan Contingency		SJA80023GR0014	47,938	-
U.S. Japan-Philippines Trilateral Dialogue Oceans of Opportunity: Southeast Asia's Shared Maritime Challenges		SJA80022GR0003	22,827	-
Hong Kong Under One Country, One System		SHK30023GR0003	33,171	-
			415,094	-
Global Threat Reduction	19.033			
Training West African Regional Partners on the Logistics and Costs of Russian PMC Deployments		SISNCT23CA0005	120,595	-
Trans-National Crime	19.705			
Bureau of International Narcotics and Law Enforcement Affairs—On Demand Reports and Roundtables		SINLEC22CA0437	255,994	-
Total U.S. Department of State			791,683	-
U.S. Agency for International Development				
USAID Foreign Assistance for Programs Overseas	98.001			
The Humanitarian Agenda		720BHA21FA00001	255,572	-
Water for the World Thought Leader Engagement Activity		7200AA21FA00001	105,867	-
Total U.S. Agency for International Development			361,439	-
Total Research and Development Cluster			1,668,341	-
Total expenditures of federal awards			\$ 1,668,341	\$ -

See notes to schedule of expenditures of federal awards.

Center for Strategic and International Studies, Inc.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Center for Strategic and International Studies, Inc. (CSIS) under programs of the federal government for the year ended September 30, 2023. 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CSIS, it is not intended to and does not present the financial position, changes in net assets or cash flows of CSIS.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

CSIS negotiates and utilizes an indirect cost rate with the federal government and therefore, CSIS has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Reconciliation

The accompanying schedule of expenditures of federal awards is reconciled to the statement of activities for the year ended September 30, 2023, of CSIS as follows:

Total expenditures of federal awards per the Schedule	\$ 1,668,341
Reconciling item:	
Federal fixed price grants not subject to reporting on the schedule of expenditures of federal awards	4,876,644
Total federal grant revenue per the statement of activities	<u>\$ 6,544,985</u>

Center for Strategic and International Studies, Inc.

Schedule of Findings and Questioned Costs
Year Ended September 30, 2023

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None Reported

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

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

Identification of major federal program:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
81.113/19.040/19.033/19.705/98.001	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

(Continued)

Center for Strategic and International Studies, Inc.

**Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2023**

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.

Center for Strategic and International Studies, Inc.

**Summary Schedule of Prior Audit Findings
Year Ended September 30, 2023**

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.