

Congressional Hispanic Caucus Institute, Inc.

Financial Report
December 31, 2014

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Independent Auditor's Report

To the Board of Directors
Congressional Hispanic Caucus Institute, Inc.
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of the Congressional Hispanic Caucus Institute, Inc. (CHCI), which comprise the balance sheet as of December 31, 2014, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CHCI as of December 31, 2014, 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.

Report on Summarized Comparative Information

We have previously audited CHCI's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

McGladrey LLP

McLean, Virginia
June 16, 2015

Congressional Hispanic Caucus Institute, Inc.

Balance Sheet

December 31, 2014

(With Comparative Totals for 2013)

	2014	2013
Assets		
Cash and Cash Equivalents	\$ 1,896,914	\$ 1,556,293
Promises to Give, Net	6,209,627	4,075,342
Prepaid Expenses	101,997	80,975
Investments	7,042,311	5,829,608
Property and Equipment, Net	201,226	232,445
	<u>\$ 15,452,075</u>	<u>\$ 11,774,663</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 528,065	\$ 363,876
Scholarships payable	507,499	457,667
Deferred revenue	97,285	46,500
Capital lease	74,176	94,561
Deferred rent	12,465	22,436
Total liabilities	<u>1,219,490</u>	<u>985,040</u>
Commitments (Notes 6, 8 and 12)		
Net Assets		
Unrestricted		
Undesignated	6,353,541	6,308,350
Board designated	250,000	250,000
	<u>6,603,541</u>	<u>6,558,350</u>
Temporarily restricted	7,009,831	3,612,060
Permanently restricted	619,213	619,213
	<u>14,232,585</u>	<u>10,789,623</u>
	<u>\$ 15,452,075</u>	<u>\$ 11,774,663</u>

See Notes to Financial Statements.

Congressional Hispanic Caucus Institute, Inc.

Statement of Activities
 Year Ended December 31, 2014
 (With Comparative Totals for 2013)

	2014			Total	2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and Revenue					
Contributions and sponsorships	\$ -	\$ 7,776,203	\$ -	\$ 7,776,203	\$ 5,621,985
Annual Conference and Gala	4,338,004	-	-	4,338,004	4,642,885
Donated services	810,828	-	-	810,828	669,173
Investment income, net	385,054	285	-	385,339	697,803
Golf tournament	293,931	-	-	293,931	273,967
Reyes of Comedy Night	38,300	-	-	38,300	45,905
Latino Inaugural	-	-	-	-	1,202,788
Gain on sale of the building	-	-	-	-	1,165,861
Released from restriction	4,378,717	(4,378,717)	-	-	-
Total support and revenue	10,244,834	3,397,771	-	13,642,605	14,320,367
Expenses					
Program services:					
Annual Conference and Gala	2,295,578	-	-	2,295,578	2,405,375
Congressional Internships	1,295,529	-	-	1,295,529	1,030,075
Public Policy and Graduate Fellowships	1,233,762	-	-	1,233,762	1,079,440
Other programs	901,101	-	-	901,101	788,738
Scholarships	803,459	-	-	803,459	600,929
National Housing Initiative	78,925	-	-	78,925	83,777
Latino Inaugural	-	-	-	-	1,181,466
Total program services	6,608,354	-	-	6,608,354	7,169,800
Supporting services:					
General and administrative	1,806,125	-	-	1,806,125	1,552,126
Development					
Capital campaign	849,188	-	-	849,188	732,524
Fundraising	604,410	-	-	604,410	386,708
Golf tournament	137,248	-	-	137,248	159,690
Regional development	147,184	-	-	147,184	198,879
Reyes of Comedy Night	47,134	-	-	47,134	48,072
Total supporting services	3,591,289	-	-	3,591,289	3,077,999
Total expenses	10,199,643	-	-	10,199,643	10,247,799
Change in net assets	45,191	3,397,771	-	3,442,962	4,072,568
Net Assets					
Beginning	6,558,350	3,612,060	619,213	10,789,623	6,717,055
Ending	\$ 6,603,541	\$ 7,009,831	\$ 619,213	\$ 14,232,585	\$ 10,789,623

See Notes to Financial Statements.

Congressional Hispanic Caucus Institute, Inc.

Statement of Functional Expenses
 Year Ended December 31, 2014
 (With Comparative Totals for 2013)

	Program Services						Total
	Public Policy and Graduate Fellowships	Congressional Internships	Scholarships	National Housing Initiative	Other Programs	Annual Conference and Gala	
Salaries	\$ 298,587	\$ 229,652	\$ 130,390	\$ 12,306	\$ 332,823	\$ 311,085	\$ 1,314,843
In-kind	161,353	205,897	82,885	2,338	117,993	306,105	876,571
Stipends	486,850	351,088	-	43,193	-	-	881,131
Professional and Consulting Fees	44,877	15,609	3,370	1,872	31,939	141,707	239,374
Meals	19,293	45,380	569	249	101,249	479,680	646,420
Staging, Production, Video	33,888	28,635	7,710	3,855	19,045	475,013	568,146
Occupancy	57,743	73,583	13,156	5,959	70,355	75,719	296,515
Scholarships, Stipends, Awards	122	561	523,318	3	2,840	1,401	528,245
Accommodations and Venue	5,070	227,616	2,475	20	27,868	162,215	425,264
Fringe Benefits	34,713	26,252	16,667	1,386	40,150	37,527	156,695
Website and Information Systems	11,906	12,252	7,317	3,512	5,121	146,903	187,011
Payroll Taxes	22,630	17,841	9,355	882	24,487	22,750	97,945
Workshops and Seminars	20,677	22,786	872	1,468	66,979	3,715	116,497
Travel	4,910	16,032	679	93	20,652	4,609	46,375
Printing and Design	21,909	8,887	761	109	11,026	18,201	60,893
Depreciation	-	-	-	-	3,658	8,338	11,996
Utilities	-	-	-	-	-	47,787	47,787
Telephone	3,935	2,843	1,380	319	2,154	5,043	15,674
Subscriptions and Publications	2,959	2,815	1,732	1,007	2,414	6,258	17,185
Supplies	1,696	4,411	582	331	4,937	6,393	18,350
Bad Debt	-	-	-	-	-	-	-
Insurance	-	-	-	-	-	-	-
Equipment Rental and Maintenance	254	1,648	-	-	-	14,610	14,610
Latino Inaugural Charitable Donation	-	-	-	-	-	18,405	20,307
Postage and Delivery	390	1,741	241	23	10,744	-	10,744
Other	-	-	-	2,228	2,439	2,114	6,737
Subtotal	1,233,762	1,295,529	803,459	78,925	901,101	2,295,578	6,608,354
Allocation of General and Administrative	232,543	236,274	156,242	11,488	168,260	423,700	1,228,507
\$ 1,466,305	\$ 1,531,803	\$ 959,701	\$ 90,413	\$ 1,069,361	\$ 2,719,278	\$ 7,836,861	

See Notes to Financial Statements.

General and Administrative	Supporting Services						Total
	Regional Development	Fundraising	Capital Campaign	Reyes of Comedy Night	Golf Tournament	Supporting Services	
\$ 792,638	\$ 54,933	\$ 364,107	\$ 201,830	\$ 21,746	\$ 39,267	\$ 1,474,521	\$ 2,459,752
212,579	27,783	-	-	1,200	53,065	294,627	1,096,629
-	-	-	-	-	-	-	680,962
153,905	5,496	35,776	378,000	12,571	4,778	590,526	1,024,082
54,247	35,538	30,161	542	26	8,860	129,374	873,566
34,258	-	369	163,294	1,537	-	199,458	1,236,032
179,691	4,846	38,720	54,401	1,415	4,224	283,297	472,179
13,723	772	1,859	96	7	1,012	17,469	407,359
34,296	1,233	15,896	2,910	1,855	12,355	68,545	382,302
129,634	6,856	45,475	18,998	2,451	3,710	207,124	406,075
1,677	974	15,805	-	442	2,148	21,046	206,185
55,962	3,974	25,590	15,106	1,607	2,933	105,172	239,623
8,054	222	3,440	75	87	156	12,034	117,378
20,928	1,048	13,735	4,367	773	1,879	42,730	93,357
7,543	1,992	2,788	6,441	905	1,692	21,361	81,017
36,049	-	-	-	-	-	36,049	30,456
-	-	-	-	-	-	-	47,787
15,036	300	2,664	780	81	145	19,006	73,630
12,621	96	1,454	77	5	8	14,261	48,372
4,273	884	5,689	-	18	799	11,663	50,830
27,767	-	-	-	298	-	27,767	16,000
5,782	-	-	-	42	-	6,080	20,881
-	-	-	-	-	-	42	46,335
1,476	237	882	271	68	217	3,151	150,000
3,986	-	-	2,000	-	-	5,986	10,443
1,806,125	147,184	604,410	849,188	47,134	137,248	3,591,289	10,247,799
(1,593,546)	25,545	129,337	182,319	9,827	18,011	(1,228,507)	-
\$ 212,579	\$ 172,729	\$ 733,747	\$ 1,031,507	\$ 56,961	\$ 155,259	\$ 2,362,782	\$ 10,199,643
							\$ 10,247,799

Congressional Hispanic Caucus Institute, Inc.

Statement of Cash Flows

Year Ended December 31, 2014

(With Comparative Totals for 2013)

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 3,442,962	\$ 4,072,568
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on sale of property and equipment	6,015	5,605
Depreciation	48,045	30,456
Bad debt expense	27,767	16,000
Unrealized and realized gains, net	(306,435)	(641,950)
Increase in discount on promises to give	105,081	5,270
Deferred rent	(9,971)	22,436
Gain from the sale of the building	-	(1,165,861)
Loss on write-off of deferred financing costs	-	113,258
Change in fair value of interest rate swap agreement	-	(111,510)
Changes in assets and liabilities:		
(Increase) in:		
Promises to give	(2,267,133)	(1,805,168)
Prepaid expenses	(21,022)	(4,121)
Increase (decrease) in:		
Accounts payable and accrued expenses	164,189	132,608
Scholarships payable	49,832	87,959
Deferred revenue	50,785	(146,000)
Net cash provided by operating activities	1,290,115	611,550
Cash Flows From Investing Activities		
Purchase of property and equipment	(22,841)	(114,624)
Sales of investments	732,205	2,635,916
Purchases of investments	(1,638,473)	(4,489,423)
Release of cash restriction	-	128,110
Proceeds from the sale of building	-	2,949,857
Net cash provided by (used in) investing activities	(929,109)	1,109,836
Cash Flows From Financing Activities		
Principal payments on capital lease obligation	(20,385)	(11,403)
Principal payment on bonds payable	-	(1,179,818)
Net cash used in financing activities	(20,385)	(1,191,221)
Net increase in cash and cash equivalents	340,621	530,165
Cash and Cash Equivalents		
Beginning	1,556,293	1,026,128
Ending	\$ 1,896,914	\$ 1,556,293
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 247	\$ 6,420
Equipment acquired through capital lease obligation	\$ -	\$ 105,964

See Notes to Financial Statements.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: The Congressional Hispanic Caucus Institute, Inc. (CHCI) was established in 1978 as a 501(c)(3) non-profit and non-partisan educational organization to develop the next generation of Latino leaders. CHCI is incorporated and located in the District of Columbia. CHCI seeks to accomplish its mission by offering educational and leadership development programs, services, and activities that promote the growth of its participants as effective, professional and strong leaders.

A summary of CHCI's significant programs are as follows:

Public Policy Fellowship: CHCI's Public Policy Fellowship Program offers between 12 to 15 individuals a paid, nine-month fellowship and professional leadership training program for young Latinos who have completed a bachelor's degree. Fellows work in congressional offices on Capitol Hill, corporate federal affairs offices, congressional committees and federal agencies, the White House, national nonprofit advocacy organizations, and government-related institutes. This intensive work experience is enhanced by weekly professional development training sessions where they engage with national leaders around substantive public policy issues. Exposure to the wealth of information, contacts, and political activity in Washington, D.C., gives fellows a unique opportunity to pursue their public policy career goals.

Graduate Fellowships: CHCI's Graduate Fellowship Program helps increase the number of Latino leaders in policy areas in which they are traditionally under-represented. It provides between eight to ten exceptional Latino college graduates from across the country unparalleled opportunities for professional experience in the public arenas of education, health, housing, international affairs law, and the STEM fields (science, technology, engineering and mathematics). It also offers a chance to participate in CHCI's nationally acclaimed leadership development training program, including research and publication of a public policy paper about a public policy issue in their chosen field. These policy papers are presented to an audience of key public and private sector leaders on Capitol Hill each spring.

Congressional Internships: CHCI's Congressional Internship Program provides over 60 Latino college students with work placement on Capitol Hill four days a week, where they gain substantive work and networking experience. Interns also participate in once-a-week professional development and leadership training where they meet with national public and private sector leaders and engage in national policy discussions. This comprehensive approach to leadership preparation provides unmatched professional and learning opportunities. Promising Latino undergraduates from across the country are selected for participation in this prestigious program.

Scholarships: CHCI's Scholarship Program supports between 145 to 170 Latino students on an annual basis who are enrolled in community college, four-year programs, and graduate school. Scholarships are awarded for two or four years, based on the student's program of study, and provide critical financial assistance that help keep students in school and boost the Latino college graduation rate.

National Housing Initiative (NHI): HOGAR, the Spanish word for home, stands for "Hispanic Ownership, a Growing American Reality." CHCI launched its HOGAR housing initiative in September 2003 to ensure that Latinos share equally in the American dream of homeownership. HOGAR has three complementary components: (1) a fellowship program to increase Latino leaders in the housing field; (2) housing community events to educate consumers on financial literacy and the mortgage process; and (3) research and analysis that address homeownership barriers Latinos face and the opportunities that exist for them to become homeowners.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

Other Programs: CHCI serves as the clearinghouse of educational services and information to provide Latino youth with the tools and resources they need to attain a higher education. For those students in high school and in college, CHCI offers planning packages and financial aid information that students and parents can download or order from CHCI's website.

Updated every other year, the Directory is the number one place to find opportunities for Latino students to finance their education and receive hands-on experience in the field of their choice. With information on scholarships, internships, and fellowships, the Directory includes contact information and summaries of both regional and national opportunities.

CHCI's high school college-readiness program travels up to eight cities across the country and provides educational and information resources to Latino high school students and their parents, to empower and motivate families with the belief that college is attainable. The interactive one-day program includes financial literacy training and tools in both Spanish and English to help students and parents understand how to effectively prepare for and apply to college, R2L's Mentoring "Power Hour" connects students to successful CHCI alumni and Hispanic professionals who serve as role models. In 2011, CHCI expanded the R2L program to provide selected students a week in the nation's capitol, providing innovative learning tools to provide a broad perspective of the professional opportunities open to students with a college education.

Annual Conference and Gala: CHCI's Annual Conference and Gala Program facilitates discussion on the most significant issues affecting the Latino community. The conference takes an innovative approach with a concurrent summit series, which is based on the taskforce of the Congressional Hispanic Caucus and thus chaired by a Hispanic member of the U.S. Congress.

The summit format not only focuses attention on the most important issues but also helps to achieve the highest level of participation from the conference attendees, Summit topics range from education and immigration to finance and international trade. The Annual Gala serves to highlight the Latino accomplishments and contributions to our nation and recognize luminary leaders with Medal of Excellence awards.

A summary of CHCI's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

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 Not-for-Profit Entities topic of the FASB ASC, CHCI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents: CHCI considers all money market accounts to be cash equivalents.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

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

CHCI invests in a professionally managed portfolio of various securities which are exposed to various risks such as interest rate, market and credit. 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 change in the near term could materially affect investment balances and the amounts reported in the financial statements.

Promises to give: Contributions are recognized when the donor makes a promise to give to CHCI that is, in substance, unconditional. Promises to give to be received in a future period are discounted to their net present value at the time the revenue is recorded. The allowance for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results. Management has determined that no allowance for doubtful promises was needed at December 31, 2014.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, change in fair market value is charged or credited to operations.

Property and equipment: Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful life of three to ten years. CHCI capitalizes all property and equipment with a cost of \$1,000 or more.

Valuation 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 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 reportable at the lower of the carrying amount or fair value, less costs to sell.

Deferred rent: CHCI has a lease agreement for rental space in Washington, D.C. that includes a rent abatement. Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the balance sheet.

Support and revenue: All donor-restricted grants and contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Conference, gala, and event fees are recognized at the time of the conference or event. Amounts received in advance are recorded as deferred revenue.

CHCI receives contributions of donated services from individuals, businesses, and other organizations toward the fulfillment of program objectives and general operations. Those services, which are objectively measurable, have been included in both revenue and the related functional expense categories.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

Income taxes: CHCI is generally exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. In addition, CHCI qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Business income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. CHCI had no net unrelated business income for the year ended December 31, 2014.

Management evaluated CHCI's tax positions and concluded that CHCI had taken no uncertain tax positions that require adjustment to the financial statements. Generally, CHCI is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2011.

Net assets: Net assets consist of the following:

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Board designated net assets are designated by the Board of Directors to establish a reserve for the Scholarship Program. There were no additions or releases of these funds during the year ended December 31, 2014, and the balance at December 31, 2014, was \$250,000.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CHCI pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or used for specified purposes.

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by CHCI's actions. Earnings on the endowment funds are either temporarily restricted for program purposes or available for operations as specified by the donor.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Indirect costs are unallocated in the statement of activities. For the year ended December 31, 2014, \$1,228,507 of general and administrative costs was allocated to program services and \$365,039 was allocated to supporting services.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, 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. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year's summarized comparative information has been derived from the financial statements for the year ended December 31, 2013.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

Reclassifications: Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation. These reclassifications had no effect on previously reported net assets or change in net assets.

Subsequent events: CHCI evaluated subsequent events through June 16, 2015, which is the date the financial statements were available to be issued.

Note 2. Promises to Give

As of December 31, 2014, contributors to CHCI have made written promises to give. Promises due in more than one year have been recorded at the present value of the estimated cash flows, using a discount rate of 2%.

Promises to give are due as follows at December 31, 2014:

Less than one year	\$ 2,155,426
One to five years	4,205,367
	<u>6,360,793</u>
Less discount to net present value	151,166
	<u>\$ 6,209,627</u>

Note 3. Investments

Investments consist of the following at December 31, 2014:

Equities	\$ 3,175,160
Fixed income	2,960,938
Money market funds	867,557
Accrued interest	38,656
	<u>\$ 7,042,311</u>

Investment income for the year ended December 31, 2014, consists of the following:

Unrealized and realized gains, net	\$ 306,435
Interest and dividends	124,046
Investment fees	(45,142)
	<u>\$ 385,339</u>

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2014, and depreciation expense for the year ended December 31, 2014, consist of the following:

<u>Asset Category</u>	<u>Estimated Useful Lives</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Depreciation Expense</u>
Equipment	3 to 10 years	\$ 406,624	\$ 351,103	\$ 55,521	\$ 15,947
Leased equipment	3 to 10 years	105,964	35,321	70,643	20,184
Software	3 to 5 years	86,785	11,723	75,062	11,723
Furniture	3 to 10 years	24,484	24,484	-	191
		<u>\$ 623,857</u>	<u>\$ 422,631</u>	<u>\$ 201,226</u>	<u>\$ 48,045</u>

Note 5. Fair Value Measurement

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 corroborated by market data
- Level 3 Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, CHCI performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 assets at December 31, 2014. There were no liabilities subject to fair value measurement at December 31, 2014.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 5. Fair Value Measurement (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2014:

Description	Level 1	Level 2	Level 3	Total
Equities				
Common Stock				
Consumer goods	\$ 510,833	\$ -	\$ -	\$ 510,833
Financial	409,228	-	-	409,228
Industrial goods	295,917	-	-	295,917
Technology	287,018	-	-	287,018
Services	185,416	-	-	185,416
Communications	141,587	-	-	141,587
Health	123,157	-	-	123,157
Basic materials	120,692	-	-	120,692
Utilities	68,310	-	-	68,310
Energy	67,969	-	-	67,969
Exchange Traded Funds				
Financial	633,127	-	-	633,127
Services	96,432	-	-	96,432
Industrial goods	74,613	-	-	74,613
Consumer goods	52,380	-	-	52,380
Basic materials	41,235	-	-	41,235
Real estate	38,420	-	-	38,420
Health	28,826	-	-	28,826
Total equities	3,175,160	-	-	3,175,160
Fixed Income				
Corporate Bonds				
Financial	262,758	-	-	262,758
Utilities	30,858	-	-	30,858
Insurance	27,547	-	-	27,547
Technology	19,992	-	-	19,992
Industrial goods	10,028	-	-	10,028
Government Bonds				
Municipalities	-	2,257,235	-	2,257,235
Federal Home Loan Mortgage	-	200,086	-	200,086
U.S. Treasury	-	152,434	-	152,434
Total fixed income	351,183	2,609,755	-	2,960,938
Money Market	867,557	-	-	867,557
	\$ 4,393,900	\$ 2,609,755	\$ -	\$ 7,003,655

Accrued interest is not subject to the provisions of fair value measurements as it is recorded at cost and was \$38,656 at December 31, 2014.

The fair value of common stock, exchange traded funds, corporate bonds, and money market funds is determined based on quoted market prices, when available, or market prices provided by a recognized broker dealer; thus, they are categorized as Level 1. The government bonds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 6. Line of Credit

CHCI maintains a \$250,000 line of credit with a bank which expired June 15, 2015. The line of credit requires variable interest payments, calculated based on prime rate (3.25% as of December 31, 2014). The line of credit is secured by substantially all assets of CHCI. There were no borrowings on the line of credit during the year ended December 31, 2014, and no outstanding balance at December 31, 2014.

Note 7. Scholarships Payable

CHCI's Scholarship Program supports Latino students on an annual basis who are enrolled in community college, four-year programs, and graduate school. Scholarships are awarded for two or four years, based on the student's program of study, and provide critical financial assistance that help keep students in school and boost the Latino college graduation rate.

Scholarships payable at December 31, 2014, are payable as follows:

Total scholarships payable	\$ 507,499
Less current portion	(299,959)
	<u>\$ 207,540</u>

Note 8. Leasing Arrangements

Operating lease: In December 2013, CHCI entered into a lease agreement for an office space in Washington, D.C. The lease term commenced December 1, 2013, and expires on April 30, 2016. The lease provided CHCI with one month's free rent and monthly rental payments of \$24,097 for the life of the lease. CHCI is recognizing rent expense on a straight-line basis and the difference is recorded as a deferred rent liability of \$12,465 in the accompanying balance sheet. On April 20, 2015, CHCI entered into an agreement to terminate this lease effective June 30, 2015, with no penalty for termination.

For the year ended December 31, 2014, total rent expense was \$279,204.

Capital lease: CHCI has a capital lease for office equipment for \$105,964, which is included in property and equipment on the balance sheet. Monthly payments approximate \$1,700 and the lease expires in July 2018.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 8. Leasing Arrangements (Continued)

Future minimum rental payments for this lease at December 31, 2014, are as follows:

Year Ending December 31,

2015	\$	20,340
2016		20,340
2017		20,340
2018		13,560
Total payments		<u>74,580</u>
Less amount representing interest		404
	\$	<u><u>74,176</u></u>

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets include donor-restricted contributions, which are only available for program activities, or supporting services designated for future years. Temporarily restricted net assets were released from restrictions during the year ended December 31, 2014, due to the time restriction ending or the purpose restriction being accomplished.

Changes in temporarily restricted net assets for the year ended December 31, 2014, are as follows:

	Balance December 31, 2013	Additions	Released	Balance December 31, 2014
Time and purpose restricted:				
Capital campaign	\$ 637,727	\$ 3,101,458	\$ 1,056,280	\$ 2,682,905
Internships	1,753,663	1,324,968	1,277,050	1,801,581
Public policy and graduate fellowships	560,365	2,192,475	1,066,840	1,686,000
Other program services	97,232	757,669	361,470	493,431
Scholarships	435,000	399,500	501,500	333,000
National Housing Initiative	99,458	133	88,077	11,514
Accumulated earnings on endowment	1,115	285	-	1,400
Alumni	27,500	-	27,500	-
	<u>\$ 3,612,060</u>	<u>\$ 7,776,488</u>	<u>\$ 4,378,717</u>	<u>\$ 7,009,831</u>

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 10. Permanently Restricted Net Assets

CHCI's endowment consists of two donor-restricted endowment funds. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (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, CHCI 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. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- The duration and preservation of the fund
- The purpose of the organization and the donor-restricted endowment fund
- General economic conditions and the possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Investment policies of CHCI

Endowment net assets were restricted for the following as of December 31, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Congressional Internships – Cisneros			
Family Endowment	\$ 902	\$ 500,663	\$ 501,565
Solomon P. Ortiz Scholarships	498	118,550	119,048
	<u>\$ 1,400</u>	<u>\$ 619,213</u>	<u>\$ 620,613</u>

Changes in endowment net assets for the year ended December 31, 2014:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,115	\$ 619,213	\$ 620,328
Interest income	285	-	285
Endowment net assets, end of year	<u>\$ 1,400</u>	<u>\$ 619,213</u>	<u>\$ 620,613</u>

Notes to Financial Statements

Note 10. Permanently Restricted Net Assets (Continued)

Return objectives and risk parameters: CHCI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Large Cap Index while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, CHCI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CHCI targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy: CHCI has no established spending policy.

Note 11. Retirement Plan

CHCI maintains a defined contribution 401(k) profit-sharing plan (the Plan), which is available to all employees who meet a length of service of three months and 21 years of age. CHCI will match 100% of each employee's salary contribution on the first 3% and 50% for the next 2% contributed by the employee. Employees are immediately vested in the employer contribution. Employees may also make voluntary contributions to the Plan. Contributions for the year ended December 31, 2014, were \$99,739.

Note 12. Subsequent Event – Purchase of Building

On April 29, 2015, CHCI purchased a building in Washington D.C. and will relocate from their current interim office space (see Note 8) in June 2015. The purchase price of the building was \$7.2 million. To finance the purchase, CHCI entered into a dual loan structure with a bank, a bridge term loan for up to \$4,500,000 which has a 24-month draw period for advances to be made and a commercial real estate loan for \$1,500,000. In addition, a line of credit facility for up to \$500,000 is part of the financing package. For both the bridge and term loans, there is a first deed of trust on the building. The interest rate on the bridge loan and line of credit is variable at LIBOR plus 1.5%. Interest on the term loan is fixed at 3.85%.

The bridge term loan will terminate and all amounts due and payable in seven years and interest paid monthly with aggregate annual principal payments due within the course of the year and no less than:

- \$650,000 for 2016
- \$650,000 for 2017
- \$650,000 for 2018

On the fourth anniversary of the bridge term loan whatever is the remaining principal balance will have aggregate annual pay downs in 2019, 2020 and 2021 that are equal to no less than 33% of the remaining principal balance.

The term loan has a ten-year maturity with monthly principal and fixed interest payments.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 12. Subsequent Event – Purchase of Building (Continued)

Future loan payments at December 31, 2014, are as follows:

Year Ending December 31,

2015	\$	150,000
2016		150,000
2017		150,000
2018		150,000
2019		150,000
2020 – 2025		750,000
	\$	<u>1,500,000</u>

The line of credit shall terminate and all amounts due and payable by April 29, 2016, and an interest rate based on the 30-day LIBOR plus 150 basis points.

The loan contains various restrictive and financial covenants, including a long-term debt service coverage ratio of not less than 1.15 to 1 and delivery of audited financial statements within 150 days of the fiscal year end.