

Congressional Hispanic Caucus Institute, Inc.

Financial Report
December 31, 2015

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RSM US LLP

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 Congressional Hispanic Caucus Institute, Inc. (CHCI), which comprise the balance sheet as of December 31, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 16, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
June 22, 2016

Congressional Hispanic Caucus Institute, Inc.

Balance Sheet

December 31, 2015

(With Comparative Totals for 2014)

	2015	2014
Assets		
Cash and cash equivalents	\$ 1,702,055	\$ 1,896,914
Promises to give, net	4,649,384	6,209,627
Prepaid expenses	13,469	101,997
Investments	4,541,436	7,042,311
Property and equipment, net	7,436,963	201,226
	<u>\$ 18,343,307</u>	<u>\$ 15,452,075</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 436,132	\$ 528,065
Scholarships payable	431,375	507,499
Deferred revenue	105,000	97,285
Capital leases	131,846	74,176
Notes payable, net of deferred financing costs	3,908,708	-
Deferred rent	-	12,465
Total liabilities	<u>5,013,061</u>	<u>1,219,490</u>
Net assets:		
Unrestricted:		
Undesignated	6,983,538	6,353,541
Board designated	250,000	250,000
	<u>7,233,538</u>	<u>6,603,541</u>
Temporarily restricted	5,477,495	7,009,831
Permanently restricted	619,213	619,213
	<u>13,330,246</u>	<u>14,232,585</u>
	<u>\$ 18,343,307</u>	<u>\$ 15,452,075</u>

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

**Statement of Activities
Year Ended December 31, 2015
(With Comparative Totals for 2014)**

	2015			Total	2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Support and revenue:					
Contributions and sponsorships	\$ 64,896	\$ 3,150,165	\$ -	\$ 3,215,061	\$ 7,776,203
Annual Conference and Gala	4,142,672	-	-	4,142,672	4,338,004
Donated services	1,095,038	-	-	1,095,038	810,828
Golf tournament	210,432	-	-	210,432	293,931
Investment income, net	143,692	549	-	144,241	385,339
Reyes of Comedy Night	68,200	-	-	68,200	38,300
Released from restriction	4,683,050	(4,683,050)	-	-	-
Total support and revenue	10,407,980	(1,532,336)	-	8,875,644	13,642,605
Expenses:					
Program services:					
Annual Conference and Gala	2,195,362	-	-	2,195,362	2,295,578
Public Policy and Graduate Fellowships	1,101,034	-	-	1,101,034	1,233,762
Congressional Internships	1,037,298	-	-	1,037,298	1,295,529
Other programs	833,548	-	-	833,548	901,101
Scholarships	498,220	-	-	498,220	803,459
National Housing Initiative	30,027	-	-	30,027	78,925
Total program services	5,695,489	-	-	5,695,489	6,608,354
Supporting services:					
General and administrative	2,762,150	-	-	2,762,150	1,806,125
Development:					
Fundraising	753,709	-	-	753,709	604,410
Capital campaign	197,490	-	-	197,490	849,188
Golf tournament	182,107	-	-	182,107	137,248
Regional development	95,584	-	-	95,584	147,184
Reyes of Comedy Night	91,454	-	-	91,454	47,134
Total supporting services	4,082,494	-	-	4,082,494	3,591,289
Total expenses	9,777,983	-	-	9,777,983	10,199,643
Change in net assets	629,997	(1,532,336)	-	(902,339)	3,442,962
Net assets:					
Beginning	6,603,541	7,009,831	619,213	14,232,585	10,789,623
Ending	\$ 7,233,538	\$ 5,477,495	\$ 619,213	\$ 13,330,246	\$ 14,232,585

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2015
(With Comparative Totals for 2014)**

	Program Services						
	Public Policy and Graduate Fellowships	Congressional Internships	Scholarships	National Housing Initiative	Other Programs	Annual Conference and Gala	Total Program Services
Salaries	\$ 264,208	\$ 241,783	\$ 102,928	\$ 3,815	\$ 311,332	\$ 333,159	\$ 1,257,225
Donated services	11,731	34,562	1,805	400	54,862	60,840	164,200
Occupancy/rent expense	-	-	-	-	-	-	-
Stipends	567,112	306,182	-	16,316	-	-	889,610
Meals	21,879	38,790	546	314	61,154	483,255	605,938
Staging, production, video	18,179	17,929	3,626	3,292	18,243	590,670	651,939
Professional and consulting fees	17,865	17,312	2,699	596	37,400	141,566	217,438
Fringe benefits	35,738	34,368	14,353	466	39,650	40,532	165,107
Accommodations and venue	6,738	167,156	1,935	-	10,660	115,571	302,060
Scholarships, stipends, awards	419	987	320,383	5	1,134	1,973	324,901
Website and information systems	19,345	20,471	7,843	2,661	20,693	184,120	255,133
Workshops and seminars	23,896	21,818	906	1,557	104,453	1,785	154,415
Payroll taxes	19,677	17,851	7,559	319	23,307	23,494	92,207
Bad debt	-	-	-	-	-	-	-
Travel	3,684	12,818	394	64	7,041	7,512	31,513
Subscriptions, publications and public relations	3,059	3,949	1,365	50	3,400	7,926	19,749
Printing and design	5,112	6,489	278	7	7,739	11,073	30,698
Utilities	-	-	-	-	-	37,285	37,285
Depreciation	-	-	-	-	14,633	14,295	28,928
Amortization	-	-	-	-	-	-	-
Property taxes	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Supplies	350	594	175	17	989	6,588	8,713
Telephone	2,712	1,968	642	147	2,227	4,092	11,788
Insurance	543	566	162	-	485	1,741	3,497
Equipment rental and maintenance	-	-	-	-	-	5,474	5,474
Postage and delivery	183	986	272	1	2,198	1,014	4,654
Latino Inaugural donation	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Allocation of building expenses	78,604	90,719	30,349	-	111,948	121,397	433,017
Subtotal	1,101,034	1,037,298	498,220	30,027	833,548	2,195,362	5,695,489
Allocation of general and administrative expenses	318,541	289,332	143,261	9,830	224,560	608,254	1,593,778
\$ 1,419,575	\$ 1,326,630	\$ 641,481	\$ 39,857	\$ 1,058,108	\$ 2,803,616	\$ 7,289,267	

(Continued)

Congressional Hispanic Caucus Institute, Inc.

Statement of Functional Expenses (Continued)
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Supporting Services							Total Supporting Services	2015 Total	2014 Total
	General and Administrative	Building	Regional Development	Fundraising	Capital Campaign	Reyes of Comedy Night	Golf Tournament			
Salaries	\$ 795,862	\$ 75,296	\$ 22,131	\$ 445,088	\$ 24,364	\$ 41,082	\$ 62,623	\$ 1,466,446	\$ 2,723,671	\$ 2,789,364
Donated services	900,001	-	500	16,560	50,000	1,200	23,417	991,678	1,155,878	1,171,198
Occupancy/rent expense	-	142,603	-	-	-	-	-	142,603	142,603	579,812
Stipends	-	-	-	-	-	-	-	-	889,610	881,131
Meals	39,386	1,479	36,804	16,015	610	4,083	8,906	107,283	713,221	775,794
Staging, production, video	15,480	-	385	955	167	2,565	669	20,221	672,160	767,604
Professional and consulting fees	141,101	48,039	9,545	7,513	97,754	17,884	11,639	333,475	550,913	829,900
Fringe benefits	136,424	18,539	2,731	55,991	2,156	4,902	6,395	227,138	392,245	363,819
Accommodations and venue	32,488	-	534	12,894	237	2,599	14,495	63,247	365,307	493,809
Scholarships and awards	7,891	102	444	314	33	117	4,966	13,867	338,768	545,714
Website and information systems	20,609	125,062	3,296	12,756	1,126	4,320	5,932	173,101	428,234	208,057
Workshops and seminars	50,190	-	140	1,175	45	169	196	51,915	206,330	128,531
Payroll taxes	57,344	5,892	1,720	33,148	2,051	3,025	4,758	107,938	200,145	203,117
Bad debt	170,765	-	-	-	-	-	-	170,765	170,765	27,767
Travel	9,595	1,767	727	8,445	782	142	658	22,116	53,629	89,705
Subscriptions, publications and public relations	22,038	-	252	5,668	215	126	67	28,366	48,115	31,446
Printing and design	7,339	15	2,026	2,591	489	561	1,218	14,239	44,937	82,254
Utilities	-	26,625	-	-	-	1,000	-	27,625	64,910	47,787
Depreciation	41	143,694	-	-	-	-	-	143,735	172,663	48,045
Amortization	-	42,403	-	-	-	-	-	42,403	42,403	-
Property taxes	-	61,674	-	-	-	-	-	61,674	61,674	-
Interest	-	68,742	-	-	-	-	-	68,742	68,742	-
Supplies	1,663	11,926	7	381	2	9	12,812	26,800	35,513	30,013
Telephone	6,922	46,628	264	2,195	74	319	404	56,806	68,594	34,680
Insurance	6,630	16,586	186	405	81	283	324	24,495	27,992	20,690
Equipment rental and maintenance	2,678	84,582	-	-	-	43	-	87,303	92,777	20,349
Postage and delivery	1,807	332	93	193	25	52	362	2,864	7,518	9,888
Latino Inaugural donation	-	-	-	-	-	-	-	-	-	10,744
Other	354	38,312	-	-	-	-	-	38,666	38,666	8,425
Allocation of building expenses	335,542	(960,298)	13,799	131,422	17,279	6,973	22,266	(433,017)	-	-
Subtotal	2,762,150	-	95,584	753,709	197,490	91,454	182,107	4,082,494	9,777,983	10,199,643
Allocation of general and administrative expenses	(1,946,109)	-	26,879	212,305	42,478	25,830	44,839	(1,593,778)	-	-
\$	816,041	\$ -	\$ 122,463	\$ 966,014	\$ 239,968	\$ 117,284	\$ 226,946	\$ 2,488,716	\$ 9,777,983	\$ 10,199,643

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

**Statement of Cash Flows
Year Ended December 31, 2015
(With Comparative Totals for 2014)**

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (902,339)	\$ 3,442,962
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on sale of property and equipment	-	6,015
Depreciation	172,663	48,045
Amortization	42,403	-
Bad debt expense	170,765	27,767
Unrealized and realized gain (loss), net	45,391	(306,435)
Contributions restricted for long-term investments	(792,500)	(980,753)
(Decrease) increase in discount on promises to give	(66,892)	105,081
Deferred rent	(12,465)	(9,971)
Changes in assets and liabilities:		
Decrease (increase) in:		
Promises to give	1,456,370	(2,267,133)
Prepaid expenses	88,528	(21,022)
Increase (decrease) in:		
Accounts payable and accrued expenses	(91,933)	164,189
Scholarships payable	(76,124)	49,832
Deferred revenue	7,715	50,785
Net cash provided by operating activities	41,582	309,362
Cash flows from investing activities:		
Purchase of property and equipment	(7,328,715)	(22,841)
Sales of investments	6,143,736	732,205
Purchases of investments	(3,688,252)	(1,638,473)
Net cash used in investing activities	(4,873,231)	(929,109)
Cash flows from financing activities:		
Proceeds from notes payable	4,148,300	-
Payment of deferred financing costs	(199,503)	-
Principal payment on notes payable	(82,492)	-
Principal payments on capital lease obligations	(22,015)	(20,385)
Contributions restricted for long-term investments	792,500	980,753
Net cash provided by financing activities	4,636,790	960,368
Net (decrease) increase in cash and cash equivalents	(194,859)	340,621
Cash and cash equivalents:		
Beginning	1,896,914	1,556,293
Ending	\$ 1,702,055	\$ 1,896,914
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 68,743	\$ 247
Supplemental schedules of noncash financing and investing activities:		
Exchange of capital lease asset and obligation	\$ 60,551	-
Equipment acquired through capital lease obligation	\$ 140,236	-

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) nonprofit 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:

Fellowships: The public policy fellowship program offers talented young Latinos, who have earned at least a bachelor's degree, a nine-month fellowship opportunity in Washington, D.C. Entrants into CHCI's prestigious Public Policy Fellowship Program gain hands-on experience at the national level in the public policy area of their choice. During this time, participants enhance their leadership skills, strengthen their professional skills, and hone their public policy interests in the areas of international affairs, economic development, health, education, STEM and other areas critical to our nation's future.

The graduate fellowship program offers exceptional Latinos who have earned a graduate degree or higher and within three years of program start date, an unparalleled exposure to a hands-on experience in public policy. Entrants into CHCI's highly selective Graduate Fellowship Program are placed with Congressional offices, committees, Federal agencies, and the White House where they benefit from immersion in their respective public policy areas. CHCI's Graduate Fellows have a unique aspect to their program in that each must prepare a public policy white paper in their concentration area on a timely issue affecting the Latino community and the nation. The paper is then presented in a policy briefing format on Capitol Hill during the Young Latinos Leaders Summit Series.

Both fellowship programs provide fellows with CHCI's state of the art leadership development training, policy experience and access to powerful networks with the primary goal of increasing the number of Latinos working in public policy and at high level positions through all sectors of our economy.

Congressional Internship Program: The Congressional Internship Program provides current college students with a paid work placement in a Congressional Office for a period of 12 weeks (Spring/Fall) or eight weeks (Summer). Through this program, CHCI Interns gain first-hand knowledge of the U.S. legislative process and participate in weekly leadership development sessions where they interact with CHCI's powerful network of distinguished leaders and engage in timely public policy discussions and are motivated to become agents of change in their home communities.

Scholarship Program: The mission of CHCI Scholarship Program is to provide critical financial assistance that will increase graduation rates among Latino students in post-secondary education. Scholarships are awarded to Latino students in the United States who have a history of performing public service-oriented activities in their communities and who demonstrate a desire to continue their civic engagement in the future. The program supports Latino students on an annual basis who are enrolled in community college, four-year program or graduate school. There is no GPA or academic major requirement and scholarships are awarded for two or four years.

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. The program ended in 2015.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

Other programs:

R2L NextGen: CHCI's High School Latino Leaders in D.C. program brings low-income Latino high school students to Washington, D.C. for a week-long, all expenses paid professional development and leadership experience. The students spend the week learning about how the Federal government works, meeting important leaders, visiting historic sites, and developing a deeper understanding of how they can affect positive change in their communities and their nation. By providing this transformative experience to these individuals, CHCI instilled the belief that these future leaders can be a catalyst for change, in themselves and their communities.

Ready to Lead: CHCI's Ready to Lead (R2L) program increases the number of Latino high school students that enter post-secondary education by educating them on the college admissions and financial aid processes, motivating them to complete high school and empowering them to serve and lead in their communities; all while instilling in them a belief that a college education is achievable.

During each intensive, one-day program, 9th- and 10th-grade participants are provided access to the tools and resources, role models, and inspiration to pursue a college degree and career training, with detailed knowledge of financial aid options. Students leave each R2L session feeling that college education is attainable and they are motivated to pursue a degree. The program is held on various college campuses across the country in cities with a high Latino population.

R2L NextOpp: In late 2013, CHCI transitioned its most popular resource, the 6th Edition of the National Directory of Scholarships, Internships, and Fellowships for Latino students, to an online searchable database called R2LNextOpp. This groundbreaking online resource provides a comprehensive listing of opportunities for Latino students across the nation to receive financial support for their education and obtain hands-on experiences in the field of their choice.

Alumni Association: The mission of the CHCI Alumni Association (CHCI-AA) is to support CHCI in developing the next generation of Latino leaders through lifelong alumni engagement and leadership advancement. CHCI envisions alumni actively engaged in developing Latino leaders, involved civically in their communities, supporting CHCI's programs through volunteerism and philanthropy, and continually developing their own professional and leadership skills. The CHCI-AA is one of the fastest growing networks of Latino professionals in the country. More than 3,300 highly accomplished alumni have successfully continued their journey beyond CHCI into the workforce as powerful leaders in the public, private and nonprofit sectors. It promotes active and visible leadership in the community, while providing members with increased opportunities for professional development, networking and, most importantly, opportunities to mentor our Latino youth. By generously giving of their time, talent and passion, CHCI Alumni remain connected to each other and to CHCI well after their programs end.

Annual Conference and Gala: The Public Policy Conference is held annually and facilitates discussion of the most significant issues affecting the Latino community. The conference takes an innovative approach with its Latino Leaders Summit Series that runs concurrent sessions and addresses relevant, hot button issues, identifying best practices taking place nationally. CHCI works with members of Congress on its board of directors and advisory council to take part in the sessions, and draws national issue experts to achieve the highest level of participation. Summit topics range from education, environment, workforce diversity to immigration reform, economy, health care and civic engagement.

The Annual Awards Gala program celebrates the accomplishments, contributions and the positive image of Latinos in America and gathers more than 2,100 national leaders from all sectors during Hispanic Heritage Month each year.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

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 unconditional support is recognized when notification of the contribution is received, 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.

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 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, 2015.

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 3 to 39 years. CHCI capitalizes all property and equipment with a cost of \$1,000 or more.

Deferred financing costs: Legal, accounting and other expenses associated with notes payable issues are being amortized using the effective interest rate method over the terms of the two notes, which are seven and ten years, respectively.

In April 2015, FASB issued Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. The amendments in this update require that deferred financing costs related to a recognized note payable liability be presented in the balance sheet as a direct deduction from the carrying amount of that note payable liability, consistent with discounts. The recognition and measurement guidance for deferred financing costs are not affected by the amendments in this update. CHCI has adopted this pronouncement, and presented the deferred financing costs on the balance sheet as a reduction of the related notes payable.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

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.

Support and revenue: All unconditional grants and contributions are recognized when received. 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.

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, 2015.

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 2012.

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, 2015, \$1,593,778 of general and administrative costs was allocated to program services and \$352,331 was allocated to supporting services.

Net assets: Net assets consist of the following:

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

Board designated net assets: 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, 2015, and the balance at December 31, 2015, 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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

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.

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 or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CHCI's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Subsequent events: CHCI evaluated subsequent events through June 22, 2016, which is the date the financial statements were available to be issued.

Note 2. Promises to Give

As of December 31, 2015, 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, 2015:

Less than one year	\$ 1,745,124
One to five years	2,988,534
	<hr/>
	4,733,658
Less discount to net present value	84,274
	<hr/>
	<u>\$ 4,649,384</u>

Note 3. Investments

Investments consist of the following at December 31, 2015:

Equities	\$ 3,170,228
Fixed income	947,165
Money market funds	418,646
Accrued interest	5,397
	<hr/>
	<u>\$ 4,541,436</u>

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 3. Investments (Continued)

Investment income for the year ended December 31, 2015, consists of the following:

Unrealized and realized gains, net	\$	45,391
Interest and dividends		121,512
Investment fees		(22,662)
	\$	<u>144,241</u>

Note 4. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2015, and depreciation expense for the year ended December 31, 2015, consist of the following:

Asset Category	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation Expense
Land	N/A	\$ 1,440,000	\$ -	\$ 1,440,000	\$ -
Building	39 years	5,852,117	100,036	5,752,081	100,036
Building improvements	10 years	20,847	348	20,499	348
Equipment	3-10 years	111,744	61,589	50,155	21,116
Leased equipment	3- 5 years	140,236	12,142	128,094	22,235
Software	3 years	86,785	40,651	46,134	28,928
		<u>\$ 7,651,729</u>	<u>\$ 214,766</u>	<u>\$ 7,436,963</u>	<u>\$ 172,663</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

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 5. Fair Value Measurement (Continued)

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, 2015. There were no liabilities subject to fair value measurement at December 31, 2015. The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2015:

Description	Level 1	Level 2	Level 3	Total
Equities:				
Common stock:				
Consumer goods	\$ 517,094	\$ -	\$ -	\$ 517,094
Financial	409,485	-	-	409,485
Services	339,539	-	-	339,539
Technology	310,623	-	-	310,623
Industrial	221,205	-	-	221,205
Basic materials	148,069	-	-	148,069
Communications	132,105	-	-	132,105
Health	111,099	-	-	111,099
Utility	64,480	-	-	64,480
Healthcare	56,367	-	-	56,367
Energy	48,338	-	-	48,338
Industrial goods	7,698	-	-	7,698
Exchange traded funds:				
Financial	514,216	-	-	514,216
Services	57,860	-	-	57,860
Consumer goods	54,215	-	-	54,215
Industrial goods	41,168	-	-	41,168
Real estate	37,540	-	-	37,540
Basic materials	35,265	-	-	35,265
Equity energy	33,860	-	-	33,860
Health	30,002	-	-	30,002
Total equities	3,170,228	-	-	3,170,228
Fixed income:				
Corporate bonds:				
Financial	322,174	-	-	322,174
Utilities	30,384	-	-	30,384
Technology	14,750	-	-	14,750
Industrial goods	9,998	-	-	9,998
Government bonds:				
Municipalities	-	239,649	-	239,649
Federal home loan mortgage	-	166,606	-	166,606
U.S. Treasury	-	163,604	-	163,604
Total fixed income	377,306	569,859	-	947,165
Money market	418,646	-	-	418,646
	\$ 3,966,180	\$ 569,859	\$ -	\$ 4,536,039

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 5. Fair Value Measurement (Continued)

Accrued interest is not subject to the provisions of fair value measurements as it is recorded at cost and was \$5,397 at December 31, 2015.

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.

Note 6. 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, 2015, are payable as follows:

Total scholarships payable	\$ 431,375
Less current portion	(274,083)
	<u>\$ 157,292</u>

Note 7. Capital Leases

CHCI has two capital leases for furniture and office equipment for \$140,236, which is included in property and equipment on the balance sheet. Monthly payments approximate \$2,650 including interest, and the leases expire in December 2020 and October 2018, respectively.

Future minimum rental payments for these leases at December 31, 2015, are as follows:

Years ending December 31:	
2016	\$ 31,728
2017	31,728
2018	30,494
2019	24,324
2020	24,324
Total payments	<u>142,598</u>
Less amount representing interest	10,752
	<u>\$ 131,846</u>

Note 8. Notes Payable and Deferred Financing Costs

Notes payable: On April 29, 2015, CHCI purchased a building in Washington D.C. and relocated 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, consisting of a bridge loan which allows for advances up to \$4,500,000 through April 30, 2017 and a commercial real estate term loan for \$1,500,000. In addition, CHCI entered into a line of credit facility for up to \$500,000. For both the bridge and term loans, there is a first deed of trust on the building and the loans are also collateralized by essentially all of CHCI's assets except for investments.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 8. Notes Payable and Deferred Financing Costs (Continued)

The bridge loan will terminate and all amounts are due and payable on April 30, 2022, with interest paid monthly and aggregate annual principal payments of \$650,000 starting in 2016. On April 30, 2019, the remaining principal balance will have annual pay downs that are equal to 33% of the remaining principal balance. The term loan matures on April 30, 2025, with monthly principal and fixed interest payments totaling \$15,123. The line of credit is due and payable by April 30, 2016, which was extended to July 29, 2016 subsequent to year-end.

The outstanding balances at December 31, 2015, were \$725 for the line of credit, \$2,647,575 for the bridge loan, and \$1,417,508 for the term loan.

The interest rate on the bridge loan and line of credit is variable at London Interbank Offered Rate (LIBOR) daily floating rate plus 1.5% (1.92% at December 31, 2015). Interest on the term loan is fixed at 3.85%. Interest expense for the year ended December 31, 2015 for the line of credit, the bridge loan, and the term loan totaled \$12, \$25,645, and \$43,085, respectively.

Future principal payments for the loans are as follows:

	Line of Credit	Bridge Loan	Term Loan	Total
Years ending December 31:				
2016	\$ 725	\$ 650,000	\$ 129,201	\$ 779,926
2017	-	650,000	134,264	784,264
2018	-	650,000	139,526	789,526
2019	-	232,525	144,993	377,518
2020	-	232,525	150,675	383,200
2021 - 2025	-	232,525	718,849	951,374
	<u>\$ 725</u>	<u>\$2,647,575</u>	<u>\$1,417,508</u>	4,065,808
Less deferred financing costs, net				(157,100)
Notes payable, net of deferred financing costs				<u>\$ 3,908,708</u>

The notes payable agreement 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. CHCI was in violation of the timely delivery of the financial statements and a debt covenant waiver was approved by the bank.

Deferred financing costs: Deferred financing costs incurred to obtain the above financing was \$199,503 for the year ended December 31, 2015. Amortization expense for the year ended December 31, 2015, and accumulated amortization at December 31, 2015, was \$42,403. Deferred financing costs, net, are shown as a reduction of the notes payable on the balance sheet.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 9. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets for the year ended December 31, 2015, are as follows:

	Balance December 31,			Balance December 31,
	2014	Additions	Released	2015
Time and purpose restricted:				
Capital campaign	\$ 2,682,905	\$ 193,230	\$ 1,076,135	\$ 1,800,000
Public policy and graduate fellowships	1,686,000	1,045,919	1,365,558	1,366,361
Internships	1,801,581	395,492	904,506	1,292,567
Other program services	493,431	1,112,197	981,210	624,418
Scholarships	333,000	368,193	343,993	357,200
Education initiatives	-	30,000	-	30,000
Alumni	-	5,000	-	5,000
Accumulated earnings on endowment	1,400	549	-	1,949
National Housing Initiative	11,514	134	11,648	-
	<u>\$ 7,009,831</u>	<u>\$ 3,150,714</u>	<u>\$ 4,683,050</u>	<u>\$ 5,477,495</u>

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, CHCI 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 CHCI 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

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 10. Permanently Restricted Net Assets (Continued)

Endowment net assets were restricted for the following at December 31, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Congressional Internships – Cisneros			
Family Endowment	\$ 1,383	\$ 500,663	\$ 502,046
Solomon P. Ortiz Scholarships	566	118,550	119,116
	<u>\$ 1,949</u>	<u>\$ 619,213</u>	<u>\$ 621,162</u>

Changes in endowment net assets for the year ended December 31, 2015:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,400	\$ 619,213	\$ 620,613
Interest income	549	-	549
Endowment net assets, end of year	<u>\$ 1,949</u>	<u>\$ 619,213</u>	<u>\$ 621,162</u>

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, 2015, were \$103,325.