

# **Congressional Hispanic Caucus Institute, Inc.**

Financial Report  
December 31, 2016

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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, 2016, 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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

Washington, D.C.  
June 23, 2017

**Congressional Hispanic Caucus Institute, Inc.**

**Balance Sheet**

**December 31, 2016**

**(With Comparative Totals for 2015)**

	2016	2015
<b>Assets</b>		
Cash and cash equivalents	\$ 2,315,094	\$ 1,702,055
Promises to give, net	2,935,978	4,649,384
Prepaid expenses	123,765	13,469
Investments	3,758,466	4,541,436
Property and equipment, net	7,222,258	7,436,963
	<u>\$ 16,355,561</u>	<u>\$ 18,343,307</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 247,724	\$ 436,132
Scholarships payable	339,333	431,375
Deferred revenue	202,500	105,000
Capital leases	101,471	131,846
Notes payable, net of deferred financing costs	3,319,629	3,908,708
<b>Total liabilities</b>	<u>4,210,657</u>	<u>5,013,061</u>
Net assets:		
Unrestricted:		
Undesignated	8,198,836	6,983,538
Board designated	250,000	250,000
	<u>8,448,836</u>	<u>7,233,538</u>
Temporarily restricted	3,076,855	5,477,495
Permanently restricted	619,213	619,213
	<u>12,144,904</u>	<u>13,330,246</u>
	<u>\$ 16,355,561</u>	<u>\$ 18,343,307</u>

See notes to financial statements.

**Congressional Hispanic Caucus Institute, Inc.**

**Statement of Activities  
Year Ended December 31, 2016  
(With Comparative Totals for 2015)**

	2016			Total	2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>Support and revenue:</b>					
Contributions and sponsorships	\$ -	\$ 1,839,548	\$ -	\$ 1,839,548	\$ 3,215,061
Annual Conference and Gala	4,009,103	12,885	-	4,021,988	4,142,672
Donated services	345,457	-	-	345,457	1,095,038
Golf tournament	206,490	-	-	206,490	210,432
Investment income, net	217,390	418	-	217,808	144,241
Reyes of Comedy Night	-	-	-	-	68,200
Released from restriction	4,253,491	(4,253,491)	-	-	-
<b>Total support and revenue</b>	<b>9,031,931</b>	<b>(2,400,640)</b>	<b>-</b>	<b>6,631,291</b>	<b>8,875,644</b>
<b>Expenses:</b>					
<b>Program services:</b>					
Annual Conference and Gala	2,228,844	-	-	2,228,844	2,195,362
Public Policy and Graduate Fellowships	1,005,570	-	-	1,005,570	1,101,034
Congressional Internships	818,690	-	-	818,690	1,037,298
Other programs	714,440	-	-	714,440	833,548
Scholarships	396,553	-	-	396,553	498,220
National Housing Initiative	-	-	-	-	30,027
<b>Total program services</b>	<b>5,164,097</b>	<b>-</b>	<b>-</b>	<b>5,164,097</b>	<b>5,695,489</b>
<b>Supporting services:</b>					
General and administrative	1,792,072	-	-	1,792,072	2,762,150
<b>Development:</b>					
Fundraising	556,117	-	-	556,117	753,709
Capital campaign	53,753	-	-	53,753	197,490
Regional development	111,479	-	-	111,479	95,584
Golf tournament	139,115	-	-	139,115	182,107
Reyes of Comedy Night	-	-	-	-	91,454
<b>Total supporting services</b>	<b>2,652,536</b>	<b>-</b>	<b>-</b>	<b>2,652,536</b>	<b>4,082,494</b>
<b>Total expenses</b>	<b>7,816,633</b>	<b>-</b>	<b>-</b>	<b>7,816,633</b>	<b>9,777,983</b>
<b>Change in net assets</b>	<b>1,215,298</b>	<b>(2,400,640)</b>	<b>-</b>	<b>(1,185,342)</b>	<b>(902,339)</b>
<b>Net assets:</b>					
Beginning	7,233,538	5,477,495	619,213	13,330,246	14,232,585
Ending	\$ 8,448,836	\$ 3,076,855	\$ 619,213	\$ 12,144,904	\$ 13,330,246

**Congressional Hispanic Caucus Institute, Inc.**

**Statement of Functional Expenses  
Year Ended December 31, 2016  
(With Comparative Totals for 2015)**

	Program Services					
	Public Policy and Graduate Fellowships	Congressional Internships	Scholarships	Other Programs	Annual Conference and Gala	Total Program Services
Salaries	\$ 267,586	\$ 195,164	\$ 77,501	\$ 266,615	\$ 344,067	\$ 1,150,933
Payroll taxes	24,193	17,927	7,218	23,532	32,031	104,901
Fringe benefits	44,351	31,361	9,472	29,123	35,312	149,619
Stipends	432,553	215,000	-	-	-	647,553
Stipend payroll taxes	32,700	12,718	-	-	-	45,418
Stipend benefits	27,503	18,331	-	-	-	45,834
Professional and consulting fees	34,139	18,753	3,738	67,363	145,549	269,542
Staging, production, video	800	1,305	51	-	629,447	631,603
Workshops and seminars	14,983	8,305	32	83,088	1,880	108,288
Scholarships and awards	2,283	961	250,835	2,066	1,313	257,458
Accommodations and venue	4,551	131,366	2,388	6,913	119,837	265,055
Meals	11,869	24,547	9	45,161	472,294	553,880
Travel	11,124	4,401	33	4,860	5,982	26,400
Supplies	847	786	-	470	4,548	6,651
Subscriptions, publications and public relations	2,553	3,078	841	2,670	6,728	15,870
Telephone	287	295	86	245	1,010	1,923
Website and information systems	1,650	10,284	12,151	3,239	151,303	178,627
Printing and design	1,581	3,873	101	8,372	5,265	19,192
Postage and delivery	219	352	304	855	665	2,395
Equipment rental and maintenance	-	451	-	-	11,200	11,651
Insurance	717	749	214	642	17,006	19,328
Bad debt	-	-	-	-	-	-
Depreciation	-	-	-	14,633	14,295	28,928
Amortization of deferred financing costs	-	-	-	-	-	-
Property taxes	-	-	-	-	-	-
Utilities	-	-	-	-	38,168	38,168
Occupancy/rent expense	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	-
Donated services	12,060	29,830	1,806	45,504	71,883	161,083
Allocation of building expenses	77,021	88,853	29,773	109,089	119,061	423,797
	<b>1,005,570</b>	<b>818,690</b>	<b>396,553</b>	<b>714,440</b>	<b>2,228,844</b>	<b>5,164,097</b>
Allocation of general and administrative expenses	<b>267,948</b>	<b>212,721</b>	<b>106,468</b>	<b>180,262</b>	<b>580,291</b>	<b>1,347,690</b>
	<b>\$ 1,273,518</b>	<b>\$ 1,031,411</b>	<b>\$ 503,021</b>	<b>\$ 894,702</b>	<b>\$ 2,809,135</b>	<b>\$ 6,511,787</b>

(Continued)

**Congressional Hispanic Caucus Institute, Inc.**

**Statement of Functional Expenses (Continued)  
Year Ended December 31, 2016  
(With Comparative Totals for 2015)**

	Supporting Services						Total Supporting Services	2016 Total	2015 Total
	General and Administrative	Building	Regional Development	Fundraising	Capital Campaign	Golf Tournament			
Salaries	\$ 655,196	\$ 26,370	\$ 44,237	\$ 286,813	\$ 9,429	\$ 60,463	\$ 1,082,508	\$ 2,233,441	\$ 2,723,671
Payroll taxes	53,974	2,453	4,321	25,589	922	5,937	93,196	198,097	142,918
Fringe benefits	134,534	10,085	4,587	29,597	1,081	7,245	187,129	336,748	306,677
Stipends	-	-	-	-	-	-	-	647,553	889,610
Stipend payroll taxes	-	-	-	-	-	-	-	45,418	57,227
Stipend benefits	-	-	-	-	-	-	-	45,834	85,568
Professional and consulting fees	229,152	67,890	6,587	15,277	42,045	9,369	370,320	639,862	550,913
Staging, production, video	4,726	-	1,614	268	-	12,609	19,217	650,820	672,160
Workshops and seminars	5,063	-	48	1,499	-	59	6,669	114,957	206,330
Scholarships and awards	2,310	3	25	91	-	2,297	4,726	262,184	338,768
Accommodations and venue	1,324	-	151	12,078	-	-	13,553	278,608	365,307
Meals	7,785	-	21,237	3,556	74	7,893	40,545	594,425	713,221
Travel	13,646	18	1,484	10,013	34	299	25,494	51,894	53,629
Supplies	3,822	12,079	718	294	-	324	17,237	23,888	35,513
Subscriptions, publications and public relations	16,112	-	235	8,770	-	79	25,196	41,066	48,115
Telephone	1,902	48,923	91	246	-	153	51,315	53,238	68,594
Website and information systems	13,902	148,241	567	9,501	-	5,645	177,856	356,483	428,234
Printing and design	158	-	1,479	319	168	470	2,594	21,786	44,937
Postage and delivery	2,410	398	61	161	-	304	3,334	5,729	7,518
Equipment rental and maintenance	1,148	124,919	-	-	-	-	126,067	137,718	92,777
Insurance	8,903	24,902	246	641	-	428	35,120	54,448	27,992
Bad debt	11,946	-	-	-	-	-	11,946	11,946	170,765
Depreciation	-	199,852	-	-	-	-	199,852	228,780	172,663
Amortization of deferred financing costs	-	37,198	-	-	-	-	37,198	37,198	42,403
Property taxes	-	97,093	-	-	-	-	97,093	97,093	61,674
Utilities	-	30,092	-	-	-	-	30,092	68,260	64,910
Occupancy/rent expense	-	-	-	-	-	-	-	-	142,603
Interest	-	100,870	-	-	-	-	100,870	100,870	68,742
Other	23,602	36,485	-	-	-	-	60,087	60,087	38,666
Donated services	233,660	-	6,997	15,600	-	862	257,119	418,202	1,155,878
Allocation of building expenses	366,797	(967,871)	16,794	135,804	-	24,679	(423,797)	-	-
	1,792,072	-	111,479	556,117	53,753	139,115	2,652,536	7,816,633	9,777,983
Allocation of general and administrative expenses	(1,558,409)	-	28,109	145,416	-	37,194	(1,347,690)	-	-
	\$ 233,663	\$ -	\$ 139,588	\$ 701,533	\$ 53,753	\$ 176,309	\$ 1,304,846	\$ 7,816,633	\$ 9,777,983

See notes to financial statements.



**Congressional Hispanic Caucus Institute, Inc.**

**Statement of Cash Flows  
Year Ended December 31, 2016  
(With Comparative Totals for 2015)**

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ (1,185,342)	\$ (902,339)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Loss on disposal of property and equipment	926	-
Depreciation	228,780	172,663
Amortization of deferred financing costs	37,198	42,403
Bad debt expense	11,946	170,765
Unrealized and realized (gain) loss, net	(149,456)	45,391
Contributions restricted for long-term investments	(695,725)	(792,500)
Decrease in discount on promises to give	(58,085)	(66,892)
Deferred rent	-	(12,465)
Changes in assets and liabilities:		
Decrease (increase) in:		
Promises to give	1,759,545	1,456,370
Prepaid expenses	(110,296)	88,528
Increase (decrease) in:		
Accounts payable and accrued expenses	(188,408)	(91,933)
Scholarships payable	(92,042)	(76,124)
Deferred revenue	97,500	7,715
<b>Net cash (used in) provided by operating activities</b>	<b>(343,459)</b>	<b>41,582</b>
Cash flows from investing activities:		
Purchase of property and equipment	(16,316)	(7,328,715)
Proceeds from disposal of equipment	1,315	-
Sales of investments	3,222,068	6,143,736
Purchases of investments	(2,289,642)	(3,688,252)
<b>Net cash provided by (used in) investing activities</b>	<b>917,425</b>	<b>(4,873,231)</b>
Cash flows from financing activities:		
Proceeds from notes payable	700,000	4,148,300
Principal payment on notes payable	(1,326,277)	(82,492)
Principal payments on capital lease obligations	(30,375)	(22,015)
Contributions restricted for long-term investments	695,725	792,500
Payment of deferred financing costs	-	(199,503)
<b>Net cash provided by financing activities</b>	<b>39,073</b>	<b>4,636,790</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>613,039</b>	<b>(194,859)</b>
Cash and cash equivalents:		
Beginning	1,702,055	1,896,914
Ending	\$ 2,315,094	\$ 1,702,055
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 100,870	\$ 68,743
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**

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#### **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 8 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 a 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.

## Congressional Hispanic Caucus Institute, Inc.

### Notes to Financial Statements

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#### 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 6<sup>th</sup> 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 and 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 national leaders from all sectors during Hispanic Heritage Month each year.

## Congressional Hispanic Caucus Institute, Inc.

### Notes to Financial Statements

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#### 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 cash and other sweep accounts with initial maturities of three months or less 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, 2016.

**Investments:** Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, changes in fair market value are 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. During 2015, CHCI adopted Accounting Standards Update (ASU) 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, 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

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#### 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 at their fair values.

**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, 2016.

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 2013.

**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, 2016, \$1,347,690 of general and administrative costs was allocated to program services and \$210,719 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, 2016, and the balance at December 31, 2016, was \$250,000.

## Congressional Hispanic Caucus Institute, Inc.

### Notes to Financial Statements

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

**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.

**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, 2015, from which the summarized information was derived.

**Reclassifications:** Certain items in the December 31, 2015, summarized comparative information have been reclassified to conform to the December 31, 2016, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

**Upcoming accounting pronouncements:** In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU No. 2015-14 which defers the effective date of ASU No. 2014-09 one year, making it effective for annual reporting periods beginning after December 15, 2018. CHCI is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. ASU No. 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity's ability to continue as a going concern and to provide related disclosures. ASU No. 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. CHCI is currently evaluating the impact this guidance will have on its financial statements.

## Congressional Hispanic Caucus Institute, Inc.

### Notes to Financial Statements

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

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of nonprofit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a nonprofit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier applicable is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management is currently evaluating the impact of this ASU on its financial statements.

**Subsequent events:** CHCI evaluated subsequent events through June 23, 2017, which is the date the financial statements were available to be issued.

#### Note 2. Promises to Give

As of December 31, 2016, 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, 2016:

Less than one year	\$ 1,725,167
One to five years	1,237,000
	<u>2,962,167</u>
Less discount to net present value	26,189
	<u>\$ 2,935,978</u>

#### Note 3. Investments

Investments consist of the following at December 31, 2016:

Equities	\$ 2,472,580
Fixed income	946,274
Money market	333,776
Accrued interest	5,836
	<u>\$ 3,758,466</u>

Investment income for the year ended December 31, 2016, consists of the following:

Unrealized and realized gains, net	\$ 149,456
Interest and dividends	88,764
Investment fees	(20,412)
	<u>\$ 217,808</u>

## Congressional Hispanic Caucus Institute, Inc.

### Notes to Financial Statements

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#### Note 4. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2016, and depreciation expense for the year ended December 31, 2016, 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	250,091	5,602,026	150,054
Building improvements	10 years	20,847	2,432	18,415	2,084
Equipment	3-10 years	124,356	78,698	45,658	18,574
Leased equipment	3- 5 years	140,236	41,282	98,954	29,140
Software	3 years	86,785	69,580	17,205	28,928
		<u>\$ 7,664,341</u>	<u>\$ 442,083</u>	<u>\$ 7,222,258</u>	<u>\$ 228,780</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, 2016. There were no liabilities subject to fair value measurement at December 31, 2016. The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2016:

Description	Level 1	Level 2	Level 3	Total
Equities:				
Common stock:				
Basic materials	\$ 188,813	\$ -	\$ -	\$ 188,813
Communications	93,788	-	-	93,788
Consumer goods	462,043	-	-	462,043
Energy	74,221	-	-	74,221
Financial	382,969	-	-	382,969
Health	151,476	-	-	151,476
Healthcare	37,371	-	-	37,371
Industrial	216,132	-	-	216,132
Industrial goods	11,278	-	-	11,278
Services	245,334	-	-	245,334
Technology	295,733	-	-	295,733
Utility	98,740	-	-	98,740
Exchange traded funds:				
Financial	185,856	-	-	185,856
Health	28,826	-	-	28,826
Total equities	2,472,580	-	-	2,472,580
Fixed income:				
Corporate bonds:				
Financial	304,220	-	-	304,220
Industrial goods	15,545	-	-	15,545
Technology	14,817	-	-	14,817
Utilities	27,182	-	-	27,182
Government bonds:				
Federal Home Loan Mortgage	-	49,767	-	49,767
Federal National Mtg Assn	-	5,001	-	5,001
Municipalities	-	240,416	-	240,416
U.S. Treasury	-	289,326	-	289,326
Total fixed income	361,764	584,510	-	946,274
Money market	333,776	-	-	333,776
	\$ 3,168,120	\$ 584,510	\$ -	\$ 3,752,630

## Congressional Hispanic Caucus Institute, Inc.

### Notes to Financial Statements

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#### 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 \$5,836 at December 31, 2016.

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, 2016, are payable as follows:

Total scholarships payable	\$	339,333
Less current portion		(222,458)
	\$	<u>116,875</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, 2016, are as follows:

Years ending December 31:		
2017	\$	31,728
2018		30,494
2019		24,324
2020		24,324
Total payments		<u>110,870</u>
Less amount representing interest		9,399
	\$	<u>101,471</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, 2018, 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

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#### 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 that started 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 September 30, 2017.

The outstanding balances at December 31, 2016, were \$500,000 for the line of credit, \$1,639,500 for the bridge loan, and \$1,300,031 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% (2.12% at December 31, 2016). Interest on the term loan is fixed at 3.85%. Interest expense for the year ended December 31, 2016, for the line of credit, the bridge loan and the term loan totaled \$100,870.

Future principal payments for the loans are as follows:

	Line of Credit	Bridge Loan	Term Loan	Total
Years ending December 31:				
2017	\$ 500,000	\$ 650,000	\$ 134,264	\$ 1,284,264
2018	-	650,000	139,526	789,526
2019	-	113,167	144,993	258,160
2020	-	113,167	150,675	263,842
2021	-	113,166	156,579	269,745
2022-2025	-	-	573,994	573,994
	<u>\$ 500,000</u>	<u>\$ 1,639,500</u>	<u>\$ 1,300,031</u>	<u>3,439,531</u>
Less deferred financing costs, net				(119,902)
Notes payable, net of deferred financing costs				<u><u>\$ 3,319,629</u></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 debt service coverage ratio, and a debt covenant waiver was approved by the bank.

**Deferred financing costs:** Deferred financing costs incurred to obtain the above financing totaled \$199,503. Amortization expense for the year ended December 31, 2016, was \$37,198 and accumulated amortization at December 31, 2016, was \$79,601. 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

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#### Note 9. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets for the year ended December 31, 2016, are as follows:

	Balance December 31, 2015	Additions	Released	Balance December 31, 2016
Time and purpose restricted:				
Capital campaign	\$ 1,800,000	\$ 95,725	\$ 695,725	\$ 1,200,000
Public policy and graduate fellowships	1,366,361	726,740	1,304,101	789,000
Internships	1,292,567	359,800	1,004,033	648,334
Other program services	624,418	510,843	763,107	372,154
Scholarships	357,200	58,000	380,200	35,000
Alumni	5,000	101,325	76,325	30,000
Accumulated earnings on endowment	1,949	418	-	2,367
Education initiatives	30,000	-	30,000	-
	<u>\$ 5,477,495</u>	<u>\$ 1,852,851</u>	<u>\$ 4,253,491</u>	<u>\$ 3,076,855</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

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#### Note 10. Permanently Restricted Net Assets (Continued)

Endowment net assets were restricted for the following at December 31, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Congressional Internships – Cisneros			
Family Endowment	\$ 1,698	\$ 500,663	\$ 502,361
Solomon P. Ortiz Scholarships	669	118,550	119,219
	<u>\$ 2,367</u>	<u>\$ 619,213</u>	<u>\$ 621,580</u>

Changes in endowment net assets for the year ended December 31, 2016:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 1,949	\$ 619,213	\$ 621,162
Interest income	418	-	418
Endowment net assets, end of year	<u>\$ 2,367</u>	<u>\$ 619,213</u>	<u>\$ 621,580</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, 2016, were \$86,879.