

Congressional Hispanic Caucus Institute, Inc.

Financial Report
December 31, 2017

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Independent Auditor's Report

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

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 23, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, 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, 2018

Congressional Hispanic Caucus Institute, Inc.

Balance Sheet

December 31, 2017

(With Comparative Totals for 2016)

	2017	2016
Assets		
Cash and cash equivalents	\$ 2,969,989	\$ 2,315,094
Accounts receivable	346,535	294,833
Promises to give, net	2,756,153	2,641,145
Prepaid expenses	119,879	123,765
Investments	3,826,407	3,758,466
Property and equipment, net	7,068,483	7,222,258
	<u>\$ 17,087,446</u>	<u>\$ 16,355,561</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 349,153	\$ 247,724
Scholarships payable	322,625	339,333
Deferred revenue	77,500	202,500
Capital leases	72,829	101,471
Notes payable, net of deferred financing costs	2,586,297	3,319,629
Total liabilities	<u>3,408,404</u>	<u>4,210,657</u>
Net assets:		
Unrestricted:		
Undesignated	8,957,835	8,198,836
Board designated	250,000	250,000
	<u>9,207,835</u>	<u>8,448,836</u>
Temporarily restricted	3,851,994	3,076,855
Permanently restricted	619,213	619,213
	<u>13,679,042</u>	<u>12,144,904</u>
	<u>\$ 17,087,446</u>	<u>\$ 16,355,561</u>

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

**Statement of Activities
Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	2017				2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Support and revenue:					
Contributions and sponsorships	\$ 8,081	\$ 3,554,097	\$ -	\$ 3,562,178	\$ 1,839,548
Annual Conference and Gala	4,516,537	-	-	4,516,537	4,021,988
Donated services	378,460	-	-	378,460	345,457
Golf tournament	-	-	-	-	206,490
Investment income, net	568,200	870	-	569,070	217,808
Released from restriction	2,779,828	(2,779,828)	-	-	-
Total support and revenue	8,251,106	775,139	-	9,026,245	6,631,291
Expenses:					
Program services:					
Annual Conference and Gala	2,231,138	-	-	2,231,138	2,228,844
Public Policy and Graduate Fellowships	768,202	-	-	768,202	1,005,570
Congressional Internships	815,849	-	-	815,849	818,690
Other programs	504,662	-	-	504,662	714,440
Scholarships	389,868	-	-	389,868	396,553
Total program services	4,709,719	-	-	4,709,719	5,164,097
Supporting services:					
General and administrative	2,046,424	-	-	2,046,424	1,792,072
Development:					
Fundraising	562,081	-	-	562,081	556,117
Regional development	173,883	-	-	173,883	111,479
Capital campaign	-	-	-	-	53,753
Golf tournament	-	-	-	-	139,115
Total supporting services	2,782,388	-	-	2,782,388	2,652,536
Total expenses	7,492,107	-	-	7,492,107	7,816,633
Change in net assets	758,999	775,139	-	1,534,138	(1,185,342)
Beginning	8,448,836	3,076,855	619,213	12,144,904	13,330,246
Ending	\$ 9,207,835	\$ 3,851,994	\$ 619,213	\$ 13,679,042	\$ 12,144,904

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

Statement of Functional Expenses
 Year Ended December 31, 2017
 (With Comparative Totals for 2016)

	Program Services					Supporting Services					Total Supporting Services	2017 Total	2016 Total
	Public Policy & Graduate Fellowships	Internship Programs	Scholarships	Other Program Services	Annual Conference and Gala	Total Program Services	General and Administrative	Building	Regional Development Activities	Fundraising			
Salaries	\$ 162,894	\$ 167,628	\$ 63,914	\$ 212,849	\$ 40,759	\$ 648,044	\$ 727,484	\$ -	\$ 47,946	\$ 355,355	\$ 1,130,785	\$ 1,778,829	\$ 2,233,441
Payroll taxes	11,802	12,677	4,993	15,504	2,545	47,521	52,088	-	3,139	24,697	79,924	127,445	198,097
Fringe benefits	17,118	16,718	3,439	17,050	2,869	57,194	94,503	-	3,141	25,594	123,238	180,432	336,748
Stipends	394,317	207,129	-	-	-	601,446	-	-	-	-	-	601,446	647,553
Stipend payroll taxes	39,583	19,625	-	-	-	59,208	-	-	-	-	-	59,208	45,418
Stipend benefits	34,609	27,265	-	-	-	61,874	-	-	-	-	-	61,874	45,834
Professional and consulting fees	10,602	8,142	-	20,621	433,512	472,877	206,052	29,680	19,937	21,750	277,419	750,296	639,862
Staging, production and video	21	23	4	233	633,470	633,751	10,704	-	3,452	151	14,307	648,058	650,820
Workshops and seminars	17,318	19,974	6	82,615	96	120,009	7,428	-	11	5,509	12,948	132,957	114,957
Scholarships and awards	-	-	283,917	-	1,353	285,270	145	-	148	-	293	285,563	262,184
Accommodations and venue	72	216,920	-	3,184	176,037	396,213	18,215	-	5,260	6,500	29,975	426,188	278,608
Meals	16,598	33,152	-	24,074	641,371	715,195	46,666	-	76,160	2,536	125,362	840,557	594,425
Travel	5,876	5,177	-	5,894	16,550	33,497	10,570	-	2,110	5,120	17,800	51,297	51,894
Supplies	237	603	-	884	2,248	3,972	14,054	-	249	1,733	16,036	20,008	23,888
Subscriptions and publications	1,015	123	53	2,897	871	4,959	19,246	-	7	5	19,258	24,217	41,066
Telephone	-	-	-	-	-	-	41,560	-	-	-	41,560	53,238	53,238
Website and information systems	4,637	13,297	11,516	3,633	160,805	193,888	127,131	-	1,580	25,887	154,598	348,486	356,483
Printing and design	2,411	4,547	-	6,310	12,808	26,076	6,975	-	3,261	9,192	19,428	45,504	21,786
Postage and delivery	-	36	-	1,229	2,141	3,406	3,356	-	149	82	3,587	6,993	5,729
Equipment rental and maintenance	-	-	-	160	3,495	3,655	6,540	46,468	-	-	53,008	56,663	137,718
Insurance	-	-	-	-	29	29	17,834	4,476	-	-	22,310	22,339	54,448
Bad debt expense	-	-	-	-	-	-	36,750	-	-	-	36,750	36,750	11,946
Depreciation	-	-	-	10,975	6,230	17,205	566	199,490	-	-	200,056	217,261	228,780
Amortization	-	-	-	-	-	-	-	37,198	-	-	37,198	37,198	37,198
Property taxes	-	-	-	-	-	-	-	124,887	-	-	124,887	124,887	97,093
Utilities	-	-	-	-	-	-	-	30,939	-	-	30,939	30,939	68,260
Interest expense	-	-	-	-	-	-	8,588	93,165	-	-	101,753	101,753	100,870
Other	-	-	-	-	-	-	29,365	1,291	-	-	30,656	30,656	60,087
Occupancy/rent expense (allocation of building expenses)	45,092	41,073	22,026	58,950	14,666	181,807	305,684	(567,594)	7,333	72,770	(181,807)	-	-
Donated services	4,000	21,740	-	37,600	79,283	142,623	254,920	-	-	5,200	260,120	402,743	418,202
	768,202	815,849	389,868	504,662	2,231,138	4,709,719	2,046,424	-	173,883	562,081	2,782,388	7,492,107	7,816,633
Allocation of general and administrative expense	256,307	266,338	127,433	158,096	721,713	1,529,887	(1,776,723)	-	58,319	188,517	(1,529,887)	-	-
	\$ 1,024,509	\$ 1,082,187	\$ 517,301	\$ 662,758	\$ 2,952,851	\$ 6,239,606	\$ 269,701	\$ -	\$ 232,202	\$ 750,598	\$ 1,252,501	\$ 7,492,107	\$ 7,816,633

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

**Statement of Cash Flows
Year Ended December 31, 2017
(With Comparative Totals for 2016)**

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 1,534,138	\$ (1,185,342)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on disposal of property and equipment	-	926
Donated services for website development	(55,000)	-
Depreciation	217,261	228,780
Amortization of deferred financing costs	37,198	37,198
Bad debt expense	36,750	11,946
Unrealized and realized gain, net	(503,573)	(149,456)
Contributions restricted for long-term investments	(637,500)	(695,725)
Decrease in discount on promises to give	158	(58,085)
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(51,702)	8,894
Promises to give	(151,916)	1,750,651
Prepaid expenses	3,886	(110,296)
Increase (decrease) in:		
Accounts payable and accrued expenses	101,429	(188,408)
Scholarships payable	(16,708)	(92,042)
Deferred revenue	(125,000)	97,500
Net cash provided by (used in) operating activities	389,421	(343,459)
Cash flows from investing activities:		
Purchase of property and equipment	(8,486)	(16,316)
Proceeds from disposal of equipment	-	1,315
Sales of investments	2,283,192	3,222,068
Purchases of investments	(1,847,560)	(2,289,642)
Net cash provided by investing activities	427,146	917,425
Cash flows from financing activities:		
Proceeds from notes payable	-	700,000
Principal payment on notes payable	(770,530)	(1,326,277)
Principal payments on capital lease obligations	(28,642)	(30,375)
Contributions restricted for long-term investments	637,500	695,725
Net cash (used in) provided by financing activities	(161,672)	39,073
Net increase in cash and cash equivalents	654,895	613,039
Cash and cash equivalents:		
Beginning	2,315,094	1,702,055
Ending	\$ 2,969,989	\$ 2,315,094
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 101,753	\$ 100,870

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 the 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 Capitol Hill Briefing 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.

Scholar-Intern Program: 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 four-year program or graduate school. Scholarships are awarded for one to four years. Scholars are required to complete an internship in their community as part of their award.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

Other programs:

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 NextGen: The 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.

CHCI 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 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

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.

Accounts receivable: Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. There was no allowance considered necessary at December 31, 2017. All amounts outstanding are due during the year ending December 31, 2018.

Promises to give: Promises to give 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, 2017.

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 less accumulated depreciation. 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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

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. Deferred financing costs are included on the balance sheet as a reduction of the related notes payable.

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 donated services support and the related functional expense categories at their fair values, except as follows. Approximately \$79,000 of the donated services were related to the annual gala and are included in annual conference and gala revenue on the statement of activities. Also, \$55,000 of the donated services were related to website development and included in property and equipment on the balance sheet.

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, 2017.

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 2014.

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, 2017, \$1,529,887 of general and administrative costs was allocated to program services and \$246,836 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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

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, 2017, and the balance at December 31, 2017, was \$250,000.

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

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

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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, 2016, from which the summarized information was derived.

Upcoming accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (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 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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. Management is currently evaluating the effect on the financial statements.

Subsequent events: CHCI evaluated subsequent events through June 22, 2018, which is the date the financial statements were available to be issued.

Note 2. Promises to Give

As of December 31, 2017, 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, 2017:

Less than one year	\$ 1,977,583
One to five years	804,917
	<u>2,782,500</u>
Less discount to net present value	26,347
	<u><u>\$ 2,756,153</u></u>

Note 3. Investments

Investments consist of the following at December 31, 2017:

Equities	\$ 2,755,663
Fixed income	943,033
Money market	122,505
Accrued interest	5,206
	<u><u>\$ 3,826,407</u></u>

Investment income for the year ended December 31, 2017, consists of the following:

Unrealized and realized gains, net	\$ 503,573
Interest and dividends	88,156
Investment fees	(22,659)
	<u><u>\$ 569,070</u></u>

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 4. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2017, and depreciation expense for the year ended December 31, 2017, 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	400,148	5,451,969	150,057
Building improvements	10 years	20,847	4,517	16,330	2,084
Equipment	3-10 years	132,845	97,475	35,370	18,776
Leased equipment	3-5 years	140,236	70,422	69,814	29,140
Software	3 years	141,785	86,785	55,000	17,204
		<u>\$ 7,727,830</u>	<u>\$ 659,347</u>	<u>\$ 7,068,483</u>	<u>\$ 217,261</u>

Note 5. Fair Value Measurement

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

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

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

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

In determining the appropriate levels, CHCI performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

There were no Level 3 assets at December 31, 2017. There were no liabilities subject to fair value measurement at December 31, 2017.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 5. Fair Value Measurement (Continued)

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2017:

Description	Level 1	Level 2	Level 3	Total
Equities:				
Common stock:				
Basic materials	\$ 91,765	\$ -	\$ -	\$ 91,765
Communications	108,705	-	-	108,705
Consumer goods	440,808	-	-	440,808
Consumer services	30,494	-	-	30,494
Energy	34,845	-	-	34,845
Financial	506,891	-	-	506,891
Health care	286,125	-	-	286,125
Industrial goods	245,744	-	-	245,744
Miscellaneous	39,435	-	-	39,435
Services	262,209	-	-	262,209
Technology	378,818	-	-	378,818
Utilities	103,250	-	-	103,250
Exchange traded funds:				
Financial	226,574	-	-	226,574
Total equities	2,755,663	-	-	2,755,663
Fixed income:				
Corporate bonds:				
Financial	286,634	-	-	286,634
Industrial goods	15,367	-	-	15,367
Technology	19,837	-	-	19,837
Utilities	21,596	-	-	21,596
Communications	4,979	-	-	4,979
Health care	9,837	-	-	9,837
Government bonds:				
Federal Home Loan Mortgage	-	49,407	-	49,407
Municipalities	-	183,617	-	183,617
U.S. Treasury	-	351,759	-	351,759
Total fixed income	358,250	584,783	-	943,033
Money market	122,505	-	-	122,505
	\$ 3,236,418	\$ 584,783	\$ -	\$ 3,821,201

Accrued interest is not subject to the provisions of fair value measurements as it is recorded at cost and was \$5,206 at December 31, 2017.

The fair value of common stock, exchange traded funds, corporate bonds and money market funds is determined based on quoted market prices, when available, or market prices provided by a recognized broker dealer; thus, they are categorized as Level 1.

The government bonds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 6. 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, 2017, are payable as follows:

Total scholarships payable	\$ 322,625
Less current portion	<u>(191,875)</u>
	<u><u>\$ 130,750</u></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, 2017, are as follows:

Years ending December 31:	
2018	\$ 30,494
2019	24,324
2020	<u>24,324</u>
Total payments	79,142
Less amount representing interest	<u>6,313</u>
	<u><u>\$ 72,829</u></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.

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 July 31, 2018.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

The outstanding balances at December 31, 2017, were \$500,000 for the line of credit, \$1,002,000 for the bridge loan and \$1,167,001 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% (2.74% at December 31, 2017). Interest on the term loan is fixed at 3.85%. Interest expense for the year ended December 31, 2017, for the line of credit, the bridge loan and the term loan totaled \$101,753.

Future principal payments for the loans are as follows:

	Line of Credit	Bridge Loan	Term Loan	Total
Years ending December 31:				
2018	\$ 500,000	\$ 662,500	\$ 139,526	\$ 1,302,026
2019	-	84,870	144,993	229,863
2020	-	113,172	150,675	263,847
2021	-	113,172	156,579	269,751
2022	-	28,286	162,716	191,002
2023-2025	-	-	412,512	412,512
	<u>\$ 500,000</u>	<u>\$ 1,002,000</u>	<u>\$ 1,167,001</u>	2,669,001
Less deferred financing costs, net				<u>(82,704)</u>
Notes payable, net of deferred financing costs				<u>\$ 2,586,297</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 covenants waiver letter was provided 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, 2017, was \$37,198 and accumulated amortization at December 31, 2017, was \$116,799. 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, 2017, are as follows:

Program	Balance			Balance	
	December 31, 2016	Additions	Transfers	Releases	December 31, 2017
Time Restricted:					
Public Policy Fellowship (PPF)	\$ 264,000	\$ 105,000	\$ (120,000)	\$ -	\$ 249,000
Graduate Fellowship Program (GFP)	420,000	60,000	(240,000)	-	240,000
Congressional Internship Program (CIP)	225,000	30,000	(200,000)	-	55,000
Semester Internship Program (SEM)	314,013	1,034,842	(333,334)	-	1,015,521
Scholarships	10,093	470,500	(15,000)	-	465,593
R2L	10,000	-	(10,000)	-	-
R2L NextGen (formerly HS Leadership)	-	33,000	-	-	33,000
GWU leadership curriculum	100,000	-	(100,000)	-	-
Capital Campaign	1,200,000	-	(600,000)	-	600,000
Virtual Leadership Institute (VLI)	98,039	-	-	-	98,039
	<u>2,641,145</u>	<u>1,733,342</u>	<u>(1,618,334)</u>	<u>-</u>	<u>2,756,153</u>
Purpose Restricted:					
PPF	55,000	532,540	120,000	(259,760)	447,780
GFP	50,000	159,920	240,000	(175,600)	274,320
CIP	90,000	134,000	200,000	(384,000)	40,000
SEM	19,321	400,000	333,334	(627,655)	125,000
Scholarships	24,907	134,500	15,000	(174,407)	-
R2L	10,000	500	10,000	(20,500)	-
Outreach Education	59,707	80,000	-	(62,881)	76,826
R2L NextGen (formerly HS Leadership)	26,264	234,575	-	(256,839)	4,000
Capital Campaign	-	50,000	600,000	(637,500)	12,500
Alumni	30,000	94,720	-	(124,720)	-
VLI	66,752	-	-	(54,574)	12,178
GWU leadership curriculum	-	-	100,000	-	100,000
Youth Promise Funds	1,392	-	-	(1,392)	-
Endowment	2,367	870	-	-	3,237
	<u>435,710</u>	<u>1,821,625</u>	<u>1,618,334</u>	<u>(2,779,828)</u>	<u>1,095,841</u>
	<u>\$ 3,076,855</u>	<u>\$ 3,554,967</u>	<u>\$ -</u>	<u>\$ (2,779,828)</u>	<u>\$ 3,851,994</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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 10. Permanently Restricted Net Assets (Continued)

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

Endowment net assets were restricted for the following at December 31, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Congressional Internships – Cisneros			
Family Endowment	\$ 2,322	\$ 500,663	\$ 502,985
Solomon P. Ortiz Scholarships	915	118,550	119,465
	<u>\$ 3,237</u>	<u>\$ 619,213</u>	<u>\$ 622,450</u>

Changes in endowment net assets for the year ended December 31, 2017:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 2,367	\$ 619,213	\$ 621,580
Interest income	870	-	870
Endowment net assets, end of year	<u>\$ 3,237</u>	<u>\$ 619,213</u>	<u>\$ 622,450</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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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. Effective January 1, 2018, CHCI will match up to 5% of each employee's salary contributions. Employees are immediately vested in employer contributions. Employees may also make voluntary contributions to the Plan. Contributions for the year ended December 31, 2017, were \$48,618.