Congressional Hispanic Caucus Institute, Inc.

Financial Report
December 31, 2018

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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, 2018, 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, 2018, 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.

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Emphasis of Matter
As discussed in Note 1 to the financial statements, CHCI adopted the Financial Accounting Standards Board's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures and changes to classification of net assets. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information
We have previously audited CHCI's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Washington, D.C.
May 30, 2019

Congressional Hispanic Caucus Institute, Inc.

Balance Sheet
December 31, 2018
(With Comparative Totals for 2017)

	2018	2017
Assets		
Cash and cash equivalents	**$ 3,606,414**	$ 2,969,989
Accounts receivable	**336,436**	346,535
Promises to give, net	**2,107,229**	2,756,153
Prepaid expenses	**43,970**	119,879
Investments	**4,504,673**	3,826,407
Property and equipment, net	**6,856,112**	7,068,483
	$ 17,454,834	$ 17,087,446
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 236,172**	$ 349,153
Scholarships payable	**323,250**	322,625
Deferred revenue	**345,000**	77,500
Capital leases	**45,029**	72,829
Notes payable, net of deferred financing costs	**1,807,318**	2,586,297
Total liabilities	**2,756,769**	3,408,404
Net assets:		
Without donor restrictions:		
Undesignated	**10,600,837**	8,957,835
Board designated	**250,000**	250,000
	10,850,837	9,207,835
With donor restrictions	**3,847,228**	4,471,207
	14,698,065	13,679,042
	$ 17,454,834	$ 17,087,446

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

Statement of Activities
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	2018			
	Net Assets Without Donor Restrictions	**Net Assets With Donor Restrictions**	**Total**	2017 Total
Support and revenue:				
Contributions and sponsorships	**$ 4,519**	**$ 3,228,200**	**$ 3,232,719**	$ 3,562,178
Annual Conference and Gala	**4,382,672**	**-**	**4,382,672**	4,213,224
Regional programming	**690,881**	**-**	**690,881**	303,313
Donated services	**290,103**	**-**	**290,103**	378,460
Investment income (loss), net	**44,002**	**(5,251)**	**38,751**	546,411
Released from restriction	**3,846,928**	**(3,846,928)**	**-**	-
Total support and revenue	**9,259,105**	**(623,979)**	**8,635,126**	9,003,586
Expenses:				
Program services:				
Public Policy and Graduate Fellowships	**765,022**	**-**	**765,022**	763,899
Congressional Internships	**794,421**	**-**	**794,421**	811,382
Scholarships	**292,254**	**-**	**292,254**	388,778
Annual Conference and Gala	**2,061,280**	**-**	**2,061,280**	2,217,520
Virtual Leadership Institute	**84,345**	**-**	**84,345**	32,683
Regional programming	**208,130**	**-**	**208,130**	172,303
Other programs	**529,797**	**-**	**529,797**	501,394
Total program services	**4,735,249**	**-**	**4,735,249**	4,887,959
Supporting services:				
General and administrative	**2,249,657**	**-**	**2,249,657**	2,021,042
Fundraising	**631,197**	**-**	**631,197**	560,447
Total supporting services	**2,880,854**	**-**	**2,880,854**	2,581,489
Total expenses	**7,616,103**	**-**	**7,616,103**	7,469,448
Change in net assets	**1,643,002**	**(623,979)**	**1,019,023**	1,534,138
Beginning	**9,207,835**	**4,471,207**	**13,679,042**	12,144,904
Ending	**$ 10,850,837**	**$ 3,847,228**	**$ 14,698,065**	$ 13,679,042

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for 2017)

	Program Services								Supporting Services					
	Public Policy & Graduate Fellowships	Internship Programs	Scholarships	Annual Conference and Gala	Virtual Leadership Institute	Regional Programming	Other Program Services	Total Program Services	General and Administrative	Building	Fundraising	Total Supporting Services	2018 Total	2017 Total
Salaries and fringe benefits	$ 241,136	$ 182,058	$ 17,466	$ 23,403	$ -	$ -	$ 226,550	$ 690,613	$ 1,082,584	$ 9,401	$ 480,471	$ 1,572,456	$ 2,263,069	$ 2,086,706
Stipends and fringe benefits	414,079	257,945	-	-	-	-	-	672,024	-	-	-	-	672,024	722,528
Professional and consulting fees	6,717	13,234	3,750	414,436	21,646	30,484	7,687	497,954	331,086	7,741	35,956	374,783	872,737	727,637
Staging, production and video	-	1,875	-	566,197	-	26,489	-	594,561	1,364	-	8	1,372	595,933	648,058
Workshops and seminars	14,107	44,281	-	-	-	31	143,592	202,011	1,211	-	-	1,211	203,222	132,957
Scholarships and awards	-	-	264,000	2,042	-	202	-	266,244	556	-	-	556	266,800	285,563
Travel, meals, and lodging	26,200	220,909	-	870,745	-	123,599	26,608	1,268,061	41,920	-	8,169	50,089	1,318,150	1,318,042
Subscriptions and publications	3,451	4,346	465	29,508	200	16,664	12,714	67,348	54,818	-	5,064	59,882	127,230	69,721
Technology	5,434	9,265	921	5,686	37,099	146	7,765	66,316	208,142	15,510	2,580	226,232	292,548	390,046
Equipment rental and maintenance	-	-	-	1,250	-	-	-	1,250	9,577	24,412	-	33,989	35,239	56,663
Insurance	-	-	-	-	-	-	-	-	15,542	9,783	-	25,325	25,325	22,339
Depreciation	-	-	-	-	-	-	-	-	18,333	196,207	-	214,540	214,540	217,261
Interest expense	-	-	-	-	-	-	-	-	25,002	89,378	-	114,380	114,380	138,951
Other	57	128	-	16,259	-	3,102	906	20,452	20,019	126	90	20,235	40,687	94,407
Occupancy	49,574	43,347	5,652	19,714	-	-	46,375	164,662	256,367	(352,558)	96,191	-	164,662	155,826
Donated services	4,267	17,033	-	112,040	25,400	7,413	57,600	223,753	183,136	-	2,668	185,804	409,557	402,743
	765,022	794,421	292,254	2,061,280	84,345	208,130	529,797	4,735,249	2,249,657	-	631,197	2,880,854	7,616,103	7,469,448
Allocation of general and administrative expense	308,338	315,429	119,175	795,777	24,057	81,632	191,598	1,836,006	(2,089,960)	-	253,954	(1,836,006)	-	-
	$ 1,073,360	$ 1,109,850	$ 411,429	$ 2,857,057	$ 108,402	$ 289,762	$ 721,395	$ 6,571,255	$ 159,697	$ -	$ 885,151	$ 1,044,848	$ 7,616,103	$ 7,469,448

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

Statement of Cash Flows
Year Ended December 31, 2018
(With Comparative Totals tor 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 1,019,023	$ 1,534,138
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated services for website development	-	(55,000)
Depreciation	214,540	217,261
Amortization of deferred financing costs	21,606	37,198
Bad debt expense	5,000	36,750
Unrealized and realized loss (gain), net	35,571	(503,573)
Contributions restricted for long-term investments	(662,500)	(637,500)
Decrease in discount on promises to give	(14,159)	158
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	10,099	(51,702)
Promises to give	658,083	(151,916)
Prepaid expenses	75,909	3,886
Increase (decrease) in:		
Accounts payable and accrued expenses	(112,981)	101,429
Scholarships payable	625	(16,708)
Deferred revenue	267,500	(125,000)
Net cash provided by operating activities	1,518,316	389,421
Cash flows from investing activities:		
Purchase of property and equipment	(2,169)	(8,486)
Sales of investments	3,264,640	2,283,192
Purchases of investments	(3,978,477)	(1,847,560)
Net cash (used in) provided by investing activities	(716,006)	427,146
Cash flows from financing activities:		
Principal payment on notes payable	(800,585)	(770,530)
Principal payments on capital lease obligations	(27,800)	(28,642)
Contributions restricted for long-term investments	662,500	637,500
Net cash used in financing activities	(165,885)	(161,672)
Net increase in cash and cash equivalents	636,425	654,895
Cash and cash equivalents:		
Beginning	2,969,989	2,315,094
Ending	$ 3,606,414	$ 2,969,989
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 92,774	$ 101,753

See 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 two 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 brief 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.

Virtual Leadership Institute: The VLI strengthens CHCI's commitment to developing the next generation of Latino leaders by ushering the CHCI mission into the 21stcentury. Specifically, the VLI serves as the connecting force of communities across the country and the world who would benefit from CHCI's programming as much as program participants, but may not be able to physically take part in CHCI programming. The VLI allows CHCI to reach underserved parts of country by providing CHCI program participants and community leaders a platform to share their stories and inspire youth across the country by providing an insider view to the D.C. experience, civic engagement, public policy, and leadership in the 21st century.

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

Other programs:

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 NextOpp. 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.

Regional programming: CHCI regional programming and trainings convene stakeholders to address emerging issues, developments, challenges and opportunities, across key industries. The day-long convenings/trainings are designed to educate and connect thought leaders, advocates, industry experts, policy makers, community leaders with CHCI program participants and alumni.

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.

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.

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

Adoption of recent accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, net assets with donor restrictions and net assets without donor restrictions, and expands disclosures about the nature and amount of any donor restrictions.

CHCI adopted this guidance during the year ended December 31, 2018. As a result, there are additional quantitative and qualitative disclosures to communicate information related to CHCI's liquidity. Also, there were changes in the presentation of net assets within the statements and disclosures. The remaining provisions are not applicable to CHCI's financial statement presentation or were optional under past accounting guidance and were previously elected to be included in CHCI's financial statements.

Basis of presentation: The financial statement presentation follows the recommendations of the 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 two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Undesignated net assets: Net assets that are not 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, 2018, and the balance at December 31, 2018, was $250,000.

Donor restricted net assets: Result from contributions whose use is limited by donor-imposed stipulations. Net assets may be restricted for various purposes, such as use in future periods, use for specified purposes, or held in perpetuity. Earnings on the endowment funds are either restricted for program purposes or available for operations as specified by the donor.

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.

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

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, 2018. All amounts outstanding are due during the year ending December 31, 2019.

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, 2018.

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.

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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conference, meeting, gala and event fees are recognized at the time of the conference, meeting, 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.

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

Income taxes: CHCI is generally exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. In addition, CHCI qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Business income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. CHCI had no net unrelated business income for the year ended December 31, 2018.

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 2015.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited using total direct costs for each program as a percentage of total direct costs. Building costs are allocated to programs based on square footage of the office space assigned to each department. General and administrative expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of CHCI and are unallocated on the statement of activities.

Use of estimates: The preparation of financial statements 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 (U.S. GAAP). Accordingly, such information should be read in conjunction with CHCI's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassifications: Certain items in the December 31, 2017, summarized comparative information have been reclassified to conform to the December 31, 2018, 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 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 2015-14 which defers the effective date of ASU 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.

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 ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where CHCI is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018. Where CHCI is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. Management is currently evaluating the effect on the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU results in the removal, modification and addition of certain disclosure requirements related to transfers between levels within the fair value hierarchy, valuation processes and unrealized gains/losses presentation for Level 3 measurements, and liquidation timing for investments held at net asset value. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied except for the changes related to Level 3 measurements which should be applied prospectively. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. CHCI is currently evaluating the impact of the adoption of this guidance on the financial statements.

Subsequent events: CHCI evaluated subsequent events through May 30, 2019, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Financial Assets

CHCI regularly monitors liquidity required to meet its annual operating needs and other contractual commitments while also striving to maximize the return on investment of its funds not required for annual operations. CHCI has various sources of liquidity at its disposal, including cash and equity securities.

As of December 31, 2018, the following financial assets are available to meet annual operating needs of the 2019 fiscal year:

Cash and cash equivalents	$ 3,606,414
Accounts receivable	336,436
Promises to give, net	2,107,229
Investments	4,504,673
Total payments	10,554,752
Less donor purpose restrictions	(1,739,999)
Less promises to give, long term	(609,396)
Less board-designated funds	(250,000)
	$ 7,955,357

Management strives to maintain sufficient cash and short-term investments to meet 90 days of normal operating expense, which are, on average, approximately $300,000. CHCI has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 2. Liquidity and Availability of Financial Assets (Continued)

In addition, as part of its liquidity management, CHCI invests cash in excess of daily requirements in various short-term investments such as money market accounts in order to maximize interest income. CHCI's investment portfolio consists of liquid investments and the portion that is not donor-restricted could be available for general expenditure in the event of an unanticipated liquidity need. The board-designated funds could be available for general expenditures if approved by the Board upon management's request.

Note 3. Promises to Give

As of December 31, 2018, 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, 2018:

Less than one year	$	1,497,833
One to five years		621,584
		2,119,417
Less discount to net present value		12,188
	$	2,107,229

Note 4. Investments

Investments consist of the following at December 31, 2018:

Equities	$	2,227,570
Fixed income		2,189,256
Money market		71,970
Accrued interest		15,877
	$	4,504,673

Investment income for the year ended December 31, 2018, consists of the following:

Unrealized and realized loss, net	$	(35,571)
Interest and dividends		95,433
Investment fees		(21,111)
	$	38,751

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2018, and depreciation expense for the year ended December 31, 2018, 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	5,852,116	550,199	5,301,917	150,063
Building improvements	10 years	20,847	6,602	14,245	2,085
Equipment	3-10 years	135,013	114,154	20,859	16,670
Leased equipment	3-5 years	140,235	97,811	42,424	27,389
Software	3 years	55,000	18,333	36,667	18,333
		$ 7,643,211	$ 787,099	$ 6,856,112	$ 214,540

Note 6. 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, 2018. There were no liabilities subject to fair value measurement at December 31, 2018.

Note 6. 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, 2018:

Description	Level 1	Level 2	Level 3	Total
Equities:				
Common stock:				
Basic materials	$ 6,930	$ -	$ -	$ 6,930
Communications	114,994	-	-	114,994
Consumer goods	125,406	-	-	125,406
Consumer discretionary	267,760	-	-	267,760
Energy	33,332	-	-	33,332
Financial	328,801	-	-	328,801
Health care	366,871	-	-	366,871
Industrial goods	179,769	-	-	179,769
Technology	406,738	-	-	406,738
Real estate	115,761	-	-	115,761
Utilities	85,200	-	-	85,200
Exchange traded funds:				
Financial	196,008	-	-	196,008
Total equities	2,227,570	-	-	2,227,570
Fixed income:				
Corporate bonds:				
Asset backed	-	188,622	-	188,622
Financial	207,059	-	-	207,059
Industrial goods	215,138	-	-	215,138
Utilities	9,913	-	-	9,913
Government bonds:				
Municipalities	-	552,264	-	552,264
U.S. Treasury	-	1,016,260	-	1,016,260
Total fixed income	432,110	1,757,146	-	2,189,256
Money market	71,970	-	-	71,970
	$ 2,731,650	$ 1,757,146	$ -	$ 4,488,796

Accrued interest is not subject to the provisions of fair value measurements as it is recorded at cost and was $15,877 at December 31, 2018.

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 and asset backed corporate 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 7. Scholarships Payable

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

Scholarships payable at December 31, 2018, are payable as follows:

Total scholarships payable	$	323,250
Less current portion		(208,250)
	$	115,000

Note 8. 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. One lease expired in October 2018 and is now month-to-month. The remaining lease expires in December 2020.

Future minimum rental payments for these leases at December 31, 2018, are as follows:

Years ending December 31:		
2019	$	22,434
2020		24,324
Total payments		46,758
Less amount representing interest		1,729
	$	45,029

Note 9. Notes Payable and Deferred Financing Costs

Notes payable: CHCI purchased a building in Washington, D.C. 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 allowed 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. Commencing 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 was due and payable by January 27, 2019. In February 2019, the outstanding balance of $500,000 was repaid in full.

Note 9. Notes Payable and Deferred Financing Costs (Continued)

The outstanding balances at December 31, 2018, were $500,000 for the line of credit, $352,000 for the bridge loan and $1,016,416 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% (4.02% at December 31, 2018). Interest on the term loan is fixed at 3.85%. Interest expense for the year ended December 31, 2018, for the line of credit, the bridge loan and the term loan totaled $90,692.

Future principal payments for the loans are as follows:

	Line of Credit	Bridge Loan	Term Loan	Total
Years ending December 31:				
2019	$ 500,000	$ 84,870	$ 144,993	$ 729,863
2020	-	113,172	150,675	263,847
2021	-	113,172	156,579	269,751
2022	-	40,786	162,716	203,502
2023	-	-	169,091	169,091
2024-2025	-	-	232,362	232,362
	$ 500,000	$ 352,000	$ 1,016,416	1,868,416
Less deferred financing costs, net				(61,098)
Notes payable, net of deferred financing costs				$ 1,807,318

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.

Deferred financing costs: Deferred financing costs incurred to obtain the above financing totaled $199,503. Amortization expense for the year ended December 31, 2018, was $21,606 and accumulated amortization at December 31, 2018, was $61,098. Deferred financing costs, net, are shown as a reduction of the notes payable on the balance sheet. Amortization expense is included in interest expense on the statement of functional expenses.

Note 10. Net Assets With Donor Restrictions

Changes in donor restricted net assets for the year ended December 31, 2018, are as follows:

Program	Balance December 31, 2017	Additions	Transfers	Investment Loss/ Releases	Balance December 31, 2018
Time Restricted:					
Public Policy Fellowship (PPF)	$ 249,000	$ 246,254	$ (259,500)	$ -	$ 235,754
Graduate Fellowship Program (GFP)	240,000	220,863	(297,000)	-	163,863
Congressional Internship Program (CIP)	55,000	144,744	(70,000)	-	129,744
Semester Internship Program (SEM)	1,015,521	212,356	(398,333)	-	829,544
Scholarships	465,593	4,157	(257,750)	-	212,000
R2L NextGen	33,000	176,765	(70,500)	-	139,265
Capital Campaign	600,000	-	(600,000)	-	-
Alumni	-	447,059	(150,000)	-	297,059
Virtual Leadership Institute (VLI)	98,039	1,961	-	-	100,000
	2,756,153	1,454,159	(2,103,083)	-	2,107,229
Purpose Restricted:					
PPF	447,780	403,670	259,500	(592,070)	518,880
GFP	274,320	208,250	297,000	(450,650)	328,920
CIP	40,000	257,000	70,000	(295,000)	72,000
SEM	125,000	390,708	398,333	(736,041)	178,000
Scholarships	-	21,250	257,750	(279,000)	-
Outreach Education	76,826	40,000	-	(116,826)	-
R2L NextGen	4,000	283,076	70,500	(332,576)	25,000
Capital Campaign	12,500	50,000	600,000	(662,500)	-
Alumni	-	120,087	150,000	(270,087)	-
VLI	12,178	-	-	(12,178)	-
GWU leadership curriculum	100,000	-	-	(100,000)	-
	1,092,604	1,774,041	2,103,083	(3,846,928)	1,122,800
Endowment funds:					
Congressional Internships – Cisneros Family Endowment	502,985	-	-	(3,680)	499,305
Solomon P. Ortiz Scholarships	119,465	-	-	(1,571)	117,894
	622,450	-	-	(5,251)	617,199
	$ 4,471,207	$ 3,228,200	$ -	$ (3,852,179)	$ 3,847,228

Note 11. Endowment

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 perpetually restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, 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, 2018:

	Total
Congressional Internships – Cisneros Family Endowment	$ 499,305
Solomon P. Ortiz Scholarships	117,894
	$ 617,199

Changes in endowment net assets for the year ended December 31, 2018:

	Total
Endowment net assets, beginning of year	$ 622,450
Investment loss	(5,251)
Endowment net assets, end of year	$ 617,199

Note 11. Endowment (Continued)

Return objectives and risk parameters: CHCI has adopted investment 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 12. 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. Interns, fellows, and other part-time employees are not eligible to participate in the Plan because they work less than 1,000 hours annually. The Plan includes automatic deferrals for employees starting at 3% and increasing annually by 1% to a maximum of 10%. Employees may also make voluntary contributions to the Plan. CHCI will match 100% of each employee's salary contribution on the first 5% contributed by the employee. Additional contributions to the Plan by CHCI are allowed, and discretionary. Employees are immediately vested in employer contributions. Contributions for the year ended December 31, 2018, were $36,547.