

Congressional Hispanic Caucus Institute, Inc.

Financial Report
December 31, 2019

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Independent Auditor's Report

RSM US LLP

Board of Directors
Congressional Hispanic Caucus Institute

Report on the Financial Statements

We have audited the accompanying financial statements of Congressional Hispanic Caucus Institute, Inc. (CHCI), which comprise the balance sheets as of December 31, 2019 and 2018, the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Congressional Hispanic Caucus Institute, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Washington, D.C.
June 17, 2020

Congressional Hispanic Caucus Institute, Inc.

Balance Sheets
December 31, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 4,020,083	\$ 3,606,414
Accounts receivable	1,153,666	336,436
Promises to give, net	1,094,980	2,107,229
Prepaid expenses	24,511	43,970
Investments	4,946,179	4,504,673
Property and equipment, net	6,707,412	6,856,112
	<u>\$ 17,946,831</u>	<u>\$ 17,454,834</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 268,235	\$ 236,172
Scholarships payable	311,000	323,250
Deferred revenue	95,000	345,000
Capital leases	21,911	45,029
Notes payable, net of deferred financing costs	832,534	1,807,318
Total liabilities	<u>1,528,680</u>	<u>2,756,769</u>
Commitments (Notes 8 and 12)		
Net assets:		
Without donor restrictions:		
Undesignated	12,956,056	10,600,837
Board designated	250,000	250,000
	<u>13,206,056</u>	<u>10,850,837</u>
With donor restrictions	3,212,095	3,847,228
	<u>16,418,151</u>	<u>14,698,065</u>
	<u>\$ 17,946,831</u>	<u>\$ 17,454,834</u>

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

Statement of Activities

Year Ended December 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenue:			
Contributions and sponsorships	\$ 147,538	\$ 2,791,386	\$ 2,938,924
Annual Conference and Gala	4,411,467	-	4,411,467
Regional programming	1,401,464	-	1,401,464
Donated services	298,870	-	298,870
Investment income, net	636,091	106,711	742,802
Net assets released from restrictions	3,533,230	(3,533,230)	-
Total support and revenue	10,428,660	(635,133)	9,793,527
Expenses:			
Program services:			
Public Policy and Graduate Fellowships	1,019,243	-	1,019,243
Congressional Internship programs	944,108	-	944,108
Scholarships	266,956	-	266,956
Annual Conference and Gala	2,084,850	-	2,084,850
Virtual Leadership Institute	35,596	-	35,596
Regional programming	412,002	-	412,002
Other program services	506,072	-	506,072
Total program services	5,268,827	-	5,268,827
Supporting services:			
General and administrative	2,154,571	-	2,154,571
Fundraising	650,043	-	650,043
Total supporting services	2,804,614	-	2,804,614
Total expenses	8,073,441	-	8,073,441
Change in net assets	2,355,219	(635,133)	1,720,086
Net assets:			
Beginning	10,850,837	3,847,228	14,698,065
Ending	\$ 13,206,056	\$ 3,212,095	\$ 16,418,151

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

**Statement of Activities
Year Ended December 31, 2018**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and revenue:			
Contributions and sponsorships	\$ 4,519	\$ 3,228,200	\$ 3,232,719
Annual Conference and Gala	4,382,672	-	4,382,672
Regional programming	690,881	-	690,881
Donated services	290,103	-	290,103
Investment income (loss), net	44,002	(5,251)	38,751
Net assets released from restrictions	3,846,928	(3,846,928)	-
Total support and revenue	9,259,105	(623,979)	8,635,126
Expenses:			
Program services:			
Public Policy and Graduate Fellowships	765,022	-	765,022
Congressional Internships	794,421	-	794,421
Scholarships	292,254	-	292,254
Annual Conference and Gala	2,061,280	-	2,061,280
Virtual Leadership Institute	84,345	-	84,345
Regional programming	208,130	-	208,130
Other programs	529,797	-	529,797
Total program services	4,735,249	-	4,735,249
Supporting services:			
General and administrative	2,249,657	-	2,249,657
Fundraising	631,197	-	631,197
Total supporting services	2,880,854	-	2,880,854
Total expenses	7,616,103	-	7,616,103
Change in net assets	1,643,002	(623,979)	1,019,023
Net assets:			
Beginning	9,207,835	4,471,207	13,679,042
Ending	\$ 10,850,837	\$ 3,847,228	\$ 14,698,065

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services						Supporting Services						Total
	Public Policy and Graduate Fellowships	Congressional 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	
Salaries and benefits	\$ 270,536	\$ 258,549	\$ 8,667	\$ 152,580	\$ 8,926	\$ 87,437	\$ 206,910	\$ 993,605	\$ 919,218	\$ -	\$ 503,867	\$ 1,423,085	\$ 2,416,690
Stipends and benefits	517,560	329,052	-	-	-	-	124	846,736	-	-	-	-	846,736
Professional and consulting fees	3,257	5,709	471	165,806	9,724	46,605	9,454	241,026	360,363	11,430	31,130	402,923	643,949
Staging, production and video	2,402	5,749	-	780,532	-	27,375	2,898	818,956	8,284	-	-	8,284	827,240
Workshops and seminars	136,712	48,613	-	38,450	-	500	148,268	372,543	13,263	-	2,000	15,263	387,806
Scholarships and awards	-	-	252,000	1,691	-	363	-	254,054	-	-	-	-	254,054
Travel, meals and lodging	31,667	219,883	7	727,812	-	214,175	35,611	1,229,155	99,158	-	4,666	103,824	1,332,979
Subscriptions and publications	2,154	5,150	270	51,389	1,361	27,057	12,344	99,725	43,575	-	13,686	57,261	156,986
Technology	6,275	9,471	877	84,578	15,585	600	10,781	128,167	157,565	-	4,440	162,005	290,172
Equipment rental and maintenance	-	-	-	7,630	-	-	381	8,011	25,718	45,975	-	71,693	79,704
Insurance	-	-	-	-	-	-	-	-	33,912	-	-	33,912	33,912
Depreciation	-	-	-	-	-	-	-	-	24,952	184,378	-	209,330	209,330
Interest expense	-	-	-	-	-	-	-	-	6,241	68,583	-	74,824	74,824
Other	6	1,061	10	14,603	-	7,490	1,106	24,276	47,622	-	1,290	48,912	73,188
Occupancy	46,474	46,471	4,654	17,790	-	-	31,612	147,001	223,565	(310,366)	86,801	-	147,001
Donated services	2,200	14,400	-	41,989	-	400	46,583	105,572	191,135	-	2,163	193,298	298,870
	1,019,243	944,108	266,956	2,084,850	35,596	412,002	506,072	5,268,827	2,154,571	-	650,043	2,804,614	8,073,441
Allocation of general and administrative expense	341,933	312,571	89,752	686,817	11,967	138,382	161,449	1,742,871	(1,960,691)	-	217,820	(1,742,871)	-
	\$ 1,361,176	\$ 1,256,679	\$ 356,708	\$ 2,771,667	\$ 47,563	\$ 550,384	\$ 667,521	\$ 7,011,698	\$ 193,880	\$ -	\$ 867,863	\$ 1,061,743	\$ 8,073,441

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

**Statement of Functional Expenses
Year Ended December 31, 2018**

	Program Services							Supporting Services					Total
	Public Policy and Graduate Fellowships	Congressional 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	
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
Stipends and fringe benefits	414,079	257,945	-	-	-	-	-	672,024	-	-	-	-	672,024
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
Staging, production and video	-	1,875	-	566,197	-	26,489	-	594,561	1,364	-	8	1,372	595,933
Workshops and seminars	14,107	44,281	-	-	-	31	143,592	202,011	1,211	-	-	1,211	203,222
Scholarships and awards	-	-	264,000	2,042	-	202	-	266,244	556	-	-	556	266,800
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
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
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
Equipment rental and maintenance	-	-	-	1,250	-	-	-	1,250	9,577	24,412	-	33,989	35,239
Insurance	-	-	-	-	-	-	-	-	15,542	9,783	-	25,325	25,325
Depreciation	-	-	-	-	-	-	-	-	18,333	196,207	-	214,540	214,540
Interest expense	-	-	-	-	-	-	-	-	25,002	89,378	-	114,380	114,380
Other	57	128	-	16,259	-	3,102	906	20,452	20,019	126	90	20,235	40,687
Occupancy	49,574	43,347	5,652	19,714	-	-	46,375	164,662	256,367	(352,558)	96,191	-	164,662
Donated services	4,267	17,033	-	112,040	25,400	7,413	57,600	223,753	183,136	-	2,668	185,804	409,557
	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
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

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

Statements of Cash Flows
Year Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 1,720,086	\$ 1,019,023
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	209,330	214,540
Amortization of deferred financing costs	21,585	21,606
Bad debt expense	-	5,000
Unrealized and realized (gain) loss	(631,299)	35,571
Contributions restricted for long-term investments	-	(662,500)
Decrease in discount on promises to give	(11,272)	(14,159)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(817,230)	10,099
Promises to give	1,023,521	658,083
Prepaid expenses	19,459	75,909
Increase (decrease) in:		
Accounts payable and accrued expenses	32,063	(112,981)
Scholarships payable	(12,250)	625
Deferred revenue	(250,000)	267,500
Net cash provided by operating activities	1,303,993	1,518,316
Cash flows from investing activities:		
Purchase of property and equipment	(60,630)	(2,169)
Sales of investments	3,029,177	3,264,640
Purchases of investments	(2,839,384)	(3,978,477)
Net cash provided by (used in) investing activities	129,163	(716,006)
Cash flows from financing activities:		
Principal payment on notes payable	(996,369)	(800,585)
Principal payments on capital lease obligations	(23,118)	(27,800)
Contributions restricted for long-term investments	-	662,500
Net cash used in financing activities	(1,019,487)	(165,885)
Net increase in cash and cash equivalents	413,669	636,425
Cash and cash equivalents:		
Beginning	3,606,414	2,969,989
Ending	\$ 4,020,083	\$ 3,606,414
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 53,239	\$ 92,774

See notes to financial statements.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: 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 Washington, D.C. 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 follows:

Public Policy and Graduate 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 via 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 national nonprofit organizations 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 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 10 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.

Scholarships: 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.

Annual Conference and Gala: The Leadership 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 and 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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

Virtual Leadership Institute (VLI): The VLI strengthens CHCI's commitment to developing the next generation of Latino leaders by ushering the CHCI mission into the 21st century. 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 Washington, D.C., experience, civic engagement, public policy, and leadership in the 21st century.

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 and community leaders with CHCI program participants and alumni.

Other Program Services:

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 one 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 instills 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.

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.

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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

Adoption of recent accounting pronouncement: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. This ASU was adopted using the modified retrospective method by CHCI in 2019. The adoption of this ASU had no significant impact to CHCI.

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. CHCI adopted the resource recipient provisions of the ASU using the modified prospective method in 2019. The adoption of this ASU had no significant impact to CHCI.

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, 2019 and 2018, and the balance at December 31, 2019 and 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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 1. Nature of Activities 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, 2019 and 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 support 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, 2019 and 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.

Valuation of long-lived assets: Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Deferred 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 7 and 10 years, respectively. Deferred financing costs are included on the balance sheet as a reduction of the related notes payable.

Support and revenue: CHCI's revenue streams under contracts with customers are comprised of annual conference and gala and event sponsorships. CHCI's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a point in time. The majority of the revenue under contract with customers is earned in the United States.

The revenue streams noted above do not include significant financing components as the performance obligations are typically satisfied within a year of receipt of payment. Economic factors driven by consumer confidence, employment, inflation, and other world events impact the timing and level of cash received and revenue recognized by CHCI. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of CHCI, or can have a positive impact on cash flows in good economic times.

Annual conference and gala, and event sponsorships are recognized at the point in time that the related event takes place. Fees collected in advance of the event are recorded as deferred revenue until the event occurs.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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

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.

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.

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, 2019 and 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 2016.

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.

Reclassifications: Certain items in the December 31, 2018, summarized comparative information have been reclassified to conform to the December 31, 2019, financial statement presentation. The reclassifications had no effect on the previously reported change in net assets or net assets.

Upcoming accounting pronouncements: 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.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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, 2019 and 2018, the following financial assets are available to meet annual operating needs for the next fiscal year:

	2019	2018
Cash and cash equivalents	\$ 4,020,083	\$ 3,606,414
Accounts receivable	1,153,666	336,436
Promises to give	1,094,980	2,107,229
Investments	4,946,179	4,504,673
Total financial assets	<u>11,214,908</u>	<u>10,554,752</u>
Less net assets with donor restrictions	(3,212,095)	(3,847,228)
Less board-designated funds	(250,000)	(250,000)
	<u>\$ 7,752,813</u>	<u>\$ 6,457,524</u>

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.

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, 2019 and 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, 2019 and 2018:

	2019	2018
Less than one year	\$ 1,049,146	\$ 1,497,833
One to five years	46,750	621,584
	<u>1,095,896</u>	<u>2,119,417</u>
Less discount to net present value	916	12,188
	<u>\$ 1,094,980</u>	<u>\$ 2,107,229</u>

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 4. Investments

Investments consist of the following at December 31, 2019 and 2018:

	2019	2018
Equities	\$ 2,291,894	\$ 2,227,570
Fixed income	2,259,059	2,189,256
Money market	379,697	71,970
Accrued interest	15,529	15,877
	<u>\$ 4,946,179</u>	<u>\$ 4,504,673</u>

Investment income for the year ended December 31, 2019 and 2018, consist of the following:

	2019	2018
Unrealized and realized gain (loss)	\$ 631,299	\$ (35,571)
Interest and dividends	134,940	95,433
Investment fees	(23,437)	(21,111)
	<u>\$ 742,802</u>	<u>\$ 38,751</u>

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at December 31, 2019 and 2018, and depreciation expense for the year ended December 31, 2019 and 2018, consist of the following:

Asset Category	Estimated Useful Lives	2019			
		Cost	Accumulated Depreciation	Net	Depreciation Expense
Land	N/A	\$ 1,440,000	\$ -	\$ 1,440,000	\$ -
Building	39 years	5,852,116	700,254	5,151,862	150,053
Building improvements	10 years	20,847	8,686	12,161	2,085
Equipment	3-10 years	149,066	125,648	23,418	11,493
Leased equipment	3-5 years	140,235	119,946	20,289	22,134
Furniture	3-10 years	23,080	1,273	21,807	1,273
Software	3 years	78,501	40,626	37,875	22,292
		<u>\$ 7,703,845</u>	<u>\$ 996,433</u>	<u>\$ 6,707,412</u>	<u>\$ 209,330</u>

Asset Category	Estimated Useful Lives	2018			
		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
		<u>\$ 7,643,211</u>	<u>\$ 787,099</u>	<u>\$ 6,856,112</u>	<u>\$ 214,540</u>

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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, 2019 and 2018. There were no liabilities subject to fair value measurement at December 31, 2019 and 2018.

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2019:

Description	Level 1	Level 2	Level 3	Total
Equities:				
Common stock:				
Basic materials	\$ 56,595	\$ -	\$ -	\$ 56,595
Communications	81,433	-	-	81,433
Consumer goods	109,871	-	-	109,871
Consumer discretionary	209,854	-	-	209,854
Energy	12,574	-	-	12,574
Financial	391,155	-	-	391,155
Health care	382,177	-	-	382,177
Industrial goods	237,441	-	-	237,441
Technology	371,981	-	-	371,981
Real estate	118,160	-	-	118,160
Utilities	44,965	-	-	44,965
Exchange traded funds:				
Financial	275,688	-	-	275,688
Total equities	<u>2,291,894</u>	<u>-</u>	<u>-</u>	<u>2,291,894</u>
Fixed income:				
Corporate bonds	-	692,691	-	692,691
Government bonds	-	1,566,368	-	1,566,368
Total fixed income	<u>-</u>	<u>2,259,059</u>	<u>-</u>	<u>2,259,059</u>
Money market funds	379,697	-	-	379,697
	<u>\$ 2,671,591</u>	<u>\$ 2,259,059</u>	<u>\$ -</u>	<u>\$ 4,930,650</u>

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

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	<u>2,227,570</u>	<u>-</u>	<u>-</u>	<u>2,227,570</u>
Fixed income:				
Corporate bonds	-	620,732	-	620,732
Government bonds	-	1,568,524	-	1,568,524
Total fixed income	<u>-</u>	<u>2,189,256</u>	<u>-</u>	<u>2,189,256</u>
Money market funds				
	71,970	-	-	71,970
	<u>\$ 2,299,540</u>	<u>\$ 2,189,256</u>	<u>\$ -</u>	<u>\$ 4,488,796</u>

Accrued interest is not subject to the provisions of fair value measurements as it is recorded at cost and was \$15,529 and \$15,877 at December 31, 2019 and 2018, respectively.

The fair value of common stock, exchange traded funds, and money market funds are 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 corporate bonds and 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 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, 2019 and 2018 amounted to \$311,000 and \$323,250, respectively.

Note 8. 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 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. During 2019, the outstanding balance for line of credit and bridge loan was repaid in full.

The outstanding balances at December 31, 2019 and 2018, are \$0 and \$500,000, respectively, for the line of credit, \$0 and \$352,000, respectively, for the bridge loan and \$872,046 and \$1,016,416, respectively, 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%. Interest on the term loan is fixed at 3.85%. Interest expense for the year ended December 31, 2019 and 2018, for the line of credit, the bridge loan and the term loan totaled \$53,239 and \$90,692, respectively.

Future principal payments for the loans are as follows:

Years ending December 31:	
2020	\$ 150,675
2021	156,579
2022	162,716
2023	169,091
2024	175,718
2025	57,267
	<u>872,046</u>
Less deferred financing costs, net	<u>(39,512)</u>
Notes payable, net of deferred financing costs	<u>\$ 832,534</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.

Deferred financing costs: Deferred financing costs incurred to obtain the above financing totaled \$199,503. Amortization expense for the year ended December 31, 2019, and 2018, was \$21,585 and \$21,606, respectively, and accumulated amortization at December 31, 2019 and 2018, was \$39,512 and \$61,098, respectively. Deferred financing costs, net, are shown as a reduction of the notes payable on the balance sheets. Amortization expense is included in interest expense on the statements of functional expenses.

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions

Changes in donor restricted net assets for the year ended December 31, 2019, are as follows:

Program	Balance December 31, 2018	Additions	Transfers	Investment Income/Releases	Balance December 31, 2019
Time Restricted:					
Public Policy Fellowship (PPF)	\$ 235,754	\$ 105,246	\$ (236,000)	\$ -	\$ 105,000
Graduate Fellowship Program (GFP)	163,863	140,137	(164,000)	-	140,000
Congressional Internship Program (CIP)	129,744	24,586	(132,017)	-	22,313
Semester Internship Program (SEM)	829,544	47,123	(503,333)	-	373,334
Scholarships	212,000	302,333	(315,000)	-	199,333
R2L NextGen	139,265	5,735	(140,000)	-	5,000
Alumni	297,059	2,941	(150,000)	-	150,000
Virtual Leadership Institute (VLI)	100,000	-	-	-	100,000
	<u>2,107,229</u>	<u>628,101</u>	<u>(1,640,350)</u>	<u>-</u>	<u>1,094,980</u>
Purpose Restricted:					
PPF	518,880	445,345	236,000	(691,860)	508,365
GFP	328,920	435,000	164,000	(478,080)	449,840
CIP	72,000	385,500	132,017	(484,517)	105,000
SEM	178,000	430,000	503,333	(836,333)	275,000
Scholarships	-	-	315,000	(315,000)	-
Outreach Education	-	40,000	-	(40,000)	-
R2L NextGen	25,000	323,970	140,000	(433,970)	55,000
Alumni	-	103,470	150,000	(253,470)	-
	<u>1,122,800</u>	<u>2,163,285</u>	<u>1,640,350</u>	<u>(3,533,230)</u>	<u>1,393,205</u>
Endowment funds:					
Congressional Internships – Cisneros					
Family Endowment	499,305	-	-	21,238	520,543
Solomon P. Ortiz Scholarships	117,894	-	-	85,473	203,367
	<u>617,199</u>	<u>-</u>	<u>-</u>	<u>106,711</u>	<u>723,910</u>
	<u>\$ 3,847,228</u>	<u>\$ 2,791,386</u>	<u>\$ -</u>	<u>\$ (3,426,519)</u>	<u>\$ 3,212,095</u>

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 9. Net Assets With Donor Restrictions (Continued)

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

Program	Balance December 31, 2018	Additions	Transfers	Investment Loss/Releases	Balance December 31, 2019
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
	<u>2,756,153</u>	<u>1,454,159</u>	<u>(2,103,083)</u>	<u>-</u>	<u>2,107,229</u>
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)	-
	<u>1,092,604</u>	<u>1,774,041</u>	<u>2,103,083</u>	<u>(3,846,928)</u>	<u>1,122,800</u>
Endowment funds:					
Congressional Internships – Cisneros					
Family Endowment	502,985	-	-	(3,680)	499,305
Solomon P. Ortiz Scholarships	119,465	-	-	(1,571)	117,894
	<u>622,450</u>	<u>-</u>	<u>-</u>	<u>(5,251)</u>	<u>617,199</u>
	<u>\$ 4,471,207</u>	<u>\$ 3,228,200</u>	<u>\$ -</u>	<u>\$ (3,852,179)</u>	<u>\$ 3,847,228</u>

Congressional Hispanic Caucus Institute, Inc.

Notes to Financial Statements

Note 10. 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, 2019 and 2018:

	2019	2018
Congressional Internships – Cisneros		
Family Endowment	\$ 520,543	\$ 499,305
Solomon P. Ortiz Scholarships	203,367	117,894
	<u>\$ 723,910</u>	<u>\$ 617,199</u>

Changes in endowment net assets for the year ended December 31, 2019 and 2018, consist of following:

	2019	2018
Endowment net assets, beginning of year	\$ 617,199	\$ 622,450
Investment gain (loss), net	106,711	(5,251)
Endowment net assets, end of year	<u>\$ 723,910</u>	<u>\$ 617,199</u>

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.

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. 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, 2019 and 2018, were \$67,592 and \$36,547, respectively.

Note 12. Subsequent Events

CHCI has evaluated its December 31, 2019, financial statements for subsequent events through June 17, 2020, the date the financial statements were available to be issued.

Subsequent to the Coronavirus (COVID-19) outbreak in 2020 in the United States, there has been substantial volatility in financial markets and the economy. The COVID-19 and actions to mitigate it have had and are expected to continue to have an adverse impact on the economy. The impact of COVID-19 could negatively impact the CHCI's activities. Management is continually monitoring the impact of COVID-19 and will adjust activities should there be a significant impact on the economy.