

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

Financial Report  
December 31, 2013

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Congressional Hispanic Caucus Institute, Inc. (CHCI), which comprise the balance sheet as of December 31, 2013, 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited CHCI's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 14, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*McGladrey LLP*

McLean, Virginia  
June 9, 2014

**Congressional Hispanic Caucus Institute, Inc.**

**Balance Sheet**

**December 31, 2013**

**(With Comparative Totals For 2012)**

| <b>Assets</b>               | <b>2013</b>          | <b>2012</b>         |
|-----------------------------|----------------------|---------------------|
| Cash And Cash Equivalents   |                      |                     |
| Unrestricted                | \$ 1,556,293         | \$ 1,026,128        |
| Restricted                  | -                    | 128,110             |
| Promises To Give, net       | 4,075,342            | 2,291,444           |
| Prepaid Expenses            | 80,975               | 76,854              |
| Investments                 | 5,829,608            | 3,334,151           |
| Property And Equipment, net | 232,445              | 1,831,914           |
| Deferred Financing Costs    | -                    | 113,258             |
|                             | <u>\$ 11,774,663</u> | <u>\$ 8,801,859</u> |

**Liabilities And Net Assets**

|                                       |                |                  |
|---------------------------------------|----------------|------------------|
| Liabilities                           |                |                  |
| Accounts payable and accrued expenses | \$ 363,876     | \$ 231,268       |
| Scholarships payable                  | 457,667        | 369,708          |
| Deferred revenue                      | 46,500         | 192,500          |
| Capital lease                         | 94,561         | -                |
| Deferred rent                         | 22,436         | -                |
| Bonds payable                         | -              | 1,179,818        |
| Interest rate swap                    | -              | 111,510          |
| <b>Total liabilities</b>              | <u>985,040</u> | <u>2,084,804</u> |

Commitments (Notes 6 And 8)

Net Assets

Unrestricted

    Undesignated

    Board designated

Temporarily restricted

Permanently restricted

|                      |                     |
|----------------------|---------------------|
| 6,308,350            | 3,578,565           |
| 250,000              | 250,000             |
| <u>6,558,350</u>     | <u>3,828,565</u>    |
| 3,612,060            | 2,269,277           |
| 619,213              | 619,213             |
| <u>10,789,623</u>    | <u>6,717,055</u>    |
| <u>\$ 11,774,663</u> | <u>\$ 8,801,859</u> |

See Notes To Financial Statements.

**Congressional Hispanic Caucus Institute, Inc.**

**Statement Of Activities  
Year Ended December 31, 2013  
(With Comparative Totals For 2012)**

|  | 2013              |                           |                           | Total             | 2012<br>Total    |
|--|-------------------|---------------------------|---------------------------|-------------------|------------------|
|  | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted |                   |                  |
| <b>Support and revenue:</b>            |                   |                           |                           |                   |                  |
| Contributions and sponsorships         | \$ 103,211        | \$ 5,518,774              | \$ -                      | \$ 5,621,985      | \$ 2,983,014     |
| Annual Conference and Gala             | 4,350,235         | -                         | -                         | 4,350,235         | 3,888,878        |
| Gain on sale of the building           | 1,165,861         | -                         | -                         | 1,165,861         | -                |
| Latino Inaugural                       | 1,202,788         | -                         | -                         | 1,202,788         | -                |
| Donated services                       | 1,028,355         | -                         | -                         | 1,028,355         | 661,029          |
| Investment income, net                 | 697,369           | 434                       | -                         | 697,803           | 315,445          |
| Golf Tournament                        | 210,990           | -                         | -                         | 210,990           | 200,800          |
| Reyes of Comedy Night                  | 42,350            | -                         | -                         | 42,350            | 94,100           |
| Released from restriction              | 4,176,425         | (4,176,425)               | -                         | -                 | -                |
| <b>Total support and revenue</b>       | <b>12,977,584</b> | <b>1,342,783</b>          | <b>-</b>                  | <b>14,320,367</b> | <b>8,143,266</b> |
| <b>Expenses:</b>                       |                   |                           |                           |                   |                  |
| <b>Program services:</b>               |                   |                           |                           |                   |                  |
| Annual Conference and Gala             | 2,405,375         | -                         | -                         | 2,405,375         | 2,199,667        |
| Latino Inaugural                       | 1,181,466         | -                         | -                         | 1,181,466         | -                |
| Public Policy and Graduate Fellowships | 1,079,440         | -                         | -                         | 1,079,440         | 1,068,299        |
| Congressional Internships              | 1,030,075         | -                         | -                         | 1,030,075         | 838,184          |
| Other programs                         | 788,738           | -                         | -                         | 788,738           | 1,109,086        |
| Scholarships                           | 600,929           | -                         | -                         | 600,929           | 556,920          |
| National Housing Initiative            | 83,777            | -                         | -                         | 83,777            | 160,719          |
| <b>Total program services</b>          | <b>7,169,800</b>  | <b>-</b>                  | <b>-</b>                  | <b>7,169,800</b>  | <b>5,932,875</b> |
| <b>Supporting services:</b>            |                   |                           |                           |                   |                  |
| General and administrative             | 1,552,126         | -                         | -                         | 1,552,126         | 1,486,974        |
| Development                            |                   |                           |                           |                   |                  |
| Regional development                   | 198,879           | -                         | -                         | 198,879           | 116,887          |
| Fundraising                            | 386,708           | -                         | -                         | 386,708           | 676,559          |
| Reyes of Comedy Night                  | 48,072            | -                         | -                         | 48,072            | 81,124           |
| Golf Tournament                        | 159,690           | -                         | -                         | 159,690           | 135,802          |
| Capital campaign                       | 732,524           | -                         | -                         | 732,524           | -                |
| <b>Total supporting services</b>       | <b>3,077,999</b>  | <b>-</b>                  | <b>-</b>                  | <b>3,077,999</b>  | <b>2,497,346</b> |
| <b>Total expenses</b>                  | <b>10,247,799</b> | <b>-</b>                  | <b>-</b>                  | <b>10,247,799</b> | <b>8,430,221</b> |
| <b>Change in net assets</b>            | <b>2,729,785</b>  | <b>1,342,783</b>          | <b>-</b>                  | <b>4,072,568</b>  | <b>(286,955)</b> |
| <b>Net assets:</b>                     |                   |                           |                           |                   |                  |
| Beginning                              | 3,828,565         | 2,269,277                 | 619,213                   | 6,717,055         | 7,006,010        |
| Ending                                 | \$ 6,558,350      | \$ 3,612,060              | \$ 619,213                | \$ 10,789,623     | \$ 6,719,055     |

See Notes To Financial Statements.

**Congressional Hispanic Caucus Institute, Inc.**

**Statement Of Functional Expenses  
Year Ended December 31, 2013  
(With Comparative Totals For 2012)**

|                                      | Program Services                             |                              |                   |                                   |                              |                                  |                     |                              |
|--------------------------------------|--|------------------------------|-------------------|-----------------------------------|------------------------------|----------------------------------|---------------------|------------------------------|
|                                      | Public Policy<br>And Graduate<br>Fellowships | Congressional<br>Internships | Scholarships      | National<br>Housing<br>Initiative | Other<br>Program<br>Services | Annual<br>Conference<br>And Gala | Latino<br>Inaugural | Total<br>Program<br>Services |
| Salaries                             | \$ 253,856                                   | \$ 196,513                   | \$ 97,864         | \$ 9,592                          | \$ 341,532                   | \$ 337,943                       | \$ -                | \$ 1,237,300                 |
| In-kind contributions                | 123,966                                      | 150,254                      | 47,578            | -                                 | 131,580                      | 292,650                          | 68,274              | 814,302                      |
| Staging, production, video           | 17,600                                       | 24,718                       | 3,500             | 1,000                             | 16,780                       | 721,301                          | 391,899             | 1,176,798                    |
| Professional/consulting fees         | 22,526                                       | 20,499                       | 1,692             | 1,122                             | 24,900                       | 142,884                          | 228,965             | 442,588                      |
| Meals                                | 18,827                                       | 28,338                       | 178               | 2,616                             | 39,905                       | 404,720                          | 271,642             | 766,226                      |
| Stipends                             | 406,432                                      | 225,813                      | -                 | 48,717                            | -                            | -                                | -                   | 680,962                      |
| Occupancy expense                    | 43,853                                       | 32,972                       | 21,006            | 1,284                             | 59,325                       | 110,992                          | -                   | 269,432                      |
| Scholarships, stipends, awards       | 59   | 151                          | 396,500           | -                                 | 1,819                        | 320                              | -                   | 398,849                      |
| Benefits                             | 88,237                                       | 70,936                       | 12,872            | 7,165                             | 24,800                       | 46,365                           | -                   | 250,375                      |
| Accommodations and venue             | 4,144  | 182,466                      | 1,291             | -                                 | 19,150                       | 105,731                          | 21,357              | 334,139                      |
| Payroll taxes                        | 50,680                                       | 33,421                       | 7,181             | 4,326                             | 24,986                       | 26,792                           | -                   | 147,386                      |
| Website and information systems      | 10,384                                       | 11,245                       | 5,679             | 3,674                             | 4,530                        | 106,221                          | -                   | 141,733                      |
| Latino Inaugural charitable donation | -  | -                            | -                 | -                                 | -                            | -                                | 150,000             | 150,000                      |
| Workshops and seminars               | 18,045                                       | 23,479                       | 616               | 1,690                             | 61,028                       | 3,680                            | -                   | 108,538                      |
| Travel                               | 5,364  | 9,957                        | 786               | 334                               | 20,218                       | 28,994                           | -                   | 65,653                       |
| Printing and design                  | 5,285  | 8,994                        | 594               | 989                               | 8,454                        | 23,465                           | 6,179               | 53,960                       |
| Telephone                            | 4,697  | 3,059                        | 1,385             | 205                               | 3,399                        | 5,971                            | 364                 | 19,080                       |
| Supplies                             | 418  | 1,139                        | 100               | -                                 | 508                          | 10,890                           | 8,331               | 21,386                       |
| Subscriptions and publications       | 4,705  | 4,534                        | 2,071             | 1,061                             | 3,941                        | 13,197                           | -                   | 29,509                       |
| Equipment rental and maintenance     | -  | -                            | -                 | -                                 | -                            | 5,896                            | 28,197              | 34,093                       |
| Depreciation                         | -  | -                            | -                 | -                                 | -                            | -                                | -                   | -                            |
| Insurance                            | -  | -                            | -                 | -                                 | -                            | 15,351                           | 1,146               | 16,497                       |
| Other                                | -  | -                            | -                 | -                                 | -                            | -                                | 3,277               | 3,277                        |
| Bad debt expense                     | -  | -                            | -                 | -                                 | -                            | -                                | -                   | -                            |
| Postage and delivery                 | 362  | 1,587                        | 36                | 2                                 | 1,883                        | 2,012                            | 1,835               | 7,717                        |
| Interest expense                     | -  | -                            | -                 | -                                 | -                            | -                                | -                   | -                            |
| Property taxes                       | -  | -                            | -                 | -                                 | -                            | -                                | -                   | -                            |
| <b>Subtotal</b>                      | <b>1,079,440</b>                             | <b>1,030,075</b>             | <b>600,929</b>    | <b>83,777</b>                     | <b>788,738</b>               | <b>2,405,375</b>                 | <b>1,181,466</b>    | <b>7,169,800</b>             |
| Allocation of:                       |  |                              |                   |                                   |                              |                                  |                     |                              |
| General and administrative           | 224,671                                      | 212,935                      | 118,265           | 12,567                            | 165,803                      | 506,914                          | -                   | 1,241,155                    |
|                                      | <b>\$ 1,304,111</b>                          | <b>\$ 1,243,010</b>          | <b>\$ 719,194</b> | <b>\$ 96,344</b>                  | <b>\$ 954,541</b>            | <b>\$ 2,912,289</b>              | <b>\$ 1,181,466</b> | <b>\$ 8,410,955</b>          |

See Notes To Financial Statements.

**Supporting Services**

|    | General<br>And<br>Administrative | Regional<br>Development | Fundraising | Capital<br>Campaign | Reyes Of<br>Comedy<br>Night | Golf<br>Tournament | Total<br>Supporting<br>Services | 2013<br>Total | 2012<br>Total |
|----|----------------------------------|-------------------------|-------------|---------------------|-----------------------------|--------------------|---------------------------------|---------------|---------------|
| \$ | 709,609                          | \$ 47,031               | \$ 202,924  | \$ 186,704          | \$ 25,169                   | \$ 51,015          | \$ 1,222,452                    | \$ 2,459,752  | \$ 2,103,685  |
|    | 144,624                          | 15,495                  | -           | 55,676              | 3,555                       | 62,977             | 282,327                         | 1,096,629     | 661,029       |
|    | 20,818                           | 28,487                  | 9,022       | -                   | 907                         | -                  | 59,234                          | 1,236,032     | 943,865       |
|    | 119,667                          | 6,148                   | 65,901      | 384,373             | 1,552                       | 3,853              | 581,494                         | 1,024,082     | 708,410       |
|    | 28,751                           | 57,599                  | 13,234      | 834                 | 1,709                       | 5,213              | 107,340                         | 873,566       | 727,697       |
|    | -                                | -                       | -           | -                   | -                           | -                  | -                               | 680,962       | 688,793       |
|    | 114,821                          | 8,368                   | 22,478      | 42,449              | 5,664                       | 8,967              | 202,747                         | 472,179       | 260,461       |
|    | 6,301                            | -                       | 928         | 128                 | -                           | 1,153              | 8,510                           | 407,359       | 386,446       |
|    | 88,565                           | 6,305                   | 33,595      | 18,453              | 2,719                       | 6,063              | 155,700                         | 406,075       | 298,901       |
|    | 12,496                           | 18,205                  | 3,052       | 1,244               | 2,206                       | 10,960             | 48,163                          | 382,302       | 514,587       |
|    | 55,341                           | 3,680                   | 13,785      | 13,766              | 1,862                       | 3,803              | 92,237                          | 239,623       | 220,747       |
|    | 57,718                           | 828                     | 3,195       | 591                 | 1,524                       | 596                | 64,452                          | 206,185       | 156,016       |
|    | -                                | -                       | -           | -                   | -                           | -                  | -                               | 150,000       | -             |
|    | 7,997                            | 300                     | 30          | 207                 | 69                          | 237                | 8,840                           | 117,378       | 125,089       |
|    | 10,154                           | 2,932                   | 4,894       | 8,153               | 17                          | 1,554              | 27,704                          | 93,357        | 115,528       |
|    | 6,128                            | 1,746                   | 1,431       | 15,418              | 62                          | 2,272              | 27,057                          | 81,017        | 112,207       |
|    | 48,914                           | 485                     | 3,582       | 1,075               | 111                         | 383                | 54,550                          | 73,630        | 99,769        |
|    | 26,845                           | 539                     | 1,029       | 738                 | 165                         | 128                | 29,444                          | 50,830        | 42,243        |
|    | 8,224                            | 467                     | 7,302       | 2,394               | 107                         | 369                | 18,863                          | 48,372        | 41,665        |
|    | 12,121                           | -                       | -           | -                   | 121                         | -                  | 12,242                          | 46,335        | 88,049        |
|    | 30,456                           | -                       | -           | -                   | -                           | -                  | 30,456                          | 30,456        | 23,623        |
|    | 4,077                            | -                       | -           | -                   | 307                         | -                  | 4,384                           | 20,881        | 21,619        |
|    | 16,861                           | -                       | -           | -                   | -                           | -                  | 16,861                          | 20,138        | 17,075        |
|    | 16,000                           | -                       | -           | -                   | -                           | -                  | 16,000                          | 16,000        | 52,000        |
|    | 1,422                            | 264                     | 326         | 321                 | 246                         | 147                | 2,726                           | 10,443        | 19,716        |
|    | 2,157                            | -                       | -           | -                   | -                           | -                  | 2,157                           | 2,157         | 786           |
|    | 2,059                            | -                       | -           | -                   | -                           | -                  | 2,059                           | 2,059         | 215           |
|    | 1,552,126                        | 198,879                 | 386,708     | 732,524             | 48,072                      | 159,690            | 3,077,999                       | 10,247,799    | 8,430,221     |
|    | (1,552,126)                      | 40,531                  | 86,677      | 141,421             | 9,797                       | 32,545             | (1,241,155)                     | -             | -             |
| \$ | -                                | \$ 239,410              | \$ 473,385  | \$ 873,945          | \$ 57,869                   | \$ 192,235         | \$ 1,836,844                    | \$ 10,247,799 | \$ 8,430,221  |

**Congressional Hispanic Caucus Institute, Inc.**

**Statement Of Cash Flows**  
**Year Ended December 31, 2013**  
**(With Comparative Totals For 2012)**

|   | 2013               | 2012             |
|---|--------------------|------------------|
| <b>Cash Flows From Operating Activities</b>   |                    |                  |
| Change in net assets  | \$ 4,072,568       | \$ (288,955)     |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                    |                  |
| Gain from the sale of the building  | (1,165,861)        | -                |
| Loss on write off of deferred financing costs   | 113,258            | -                |
| Amortization of deferred financing costs  | -                  | 8,883            |
| Change in fair value of interest rate swap agreement  | (111,510)          | 4,186            |
| Loss on sale of property and equipment  | 5,605              | -                |
| Depreciation  | 30,456             | 67,999           |
| Bad debt expense  | 16,000             | 52,000           |
| Unrealized and realized gains, net  | (641,950)          | (269,849)        |
| Decrease in discount on promises to give  | 5,270              | (55,409)         |
| Decrease in allowance for doubtful accounts   | -                  | (132,500)        |
| Deferred rent   | 22,436             | -                |
| Changes in assets and liabilities:  |                    |                  |
| (Increase) decrease in:   |                    |                  |
| Promises to give  | (1,805,168)        | (604)            |
| Prepaid expenses  | (4,121)            | 35,526           |
| Increase (decrease) in:   |                    |                  |
| Accounts payable and accrued expenses   | 132,608            | 83,444           |
| Scholarships payable  | 87,959             | (23,834)         |
| Deferred revenue  | (146,000)          | 59,500           |
| <b>Net cash provided by (used in) operating activities</b>  | <b>611,550</b>     | <b>(459,613)</b> |
| <b>Cash Flows From Investing Activities</b>   |                    |                  |
| Purchase of property and equipment  | (114,624)          | (86,796)         |
| Release of cash restriction   | 128,110            | 75,821           |
| Sales of investments  | 2,635,916          | 903,316          |
| Purchases of investments  | (4,489,423)        | (859,727)        |
| Proceeds from the sale of building  | 2,949,857          | -                |
| <b>Net cash provided by investing activities</b>  | <b>1,109,836</b>   | <b>32,614</b>    |
| <b>Cash Flows From Financing Activities</b>   |                    |                  |
| Principal payment on bonds payable  | (1,179,818)        | (68,126)         |
| Principal payments on capital lease obligation  | (11,403)           | -                |
| <b>Net cash used in financing activities</b>  | <b>(1,191,221)</b> | <b>(68,126)</b>  |
| <b>Net increase (decrease) in cash and cash equivalents</b>   | <b>530,165</b>     | <b>(495,126)</b> |
| <b>Cash And Cash Equivalents</b>  |                    |                  |
| Beginning   | 1,026,128          | 1,521,254        |
| Ending  | \$ 1,556,293       | \$ 1,026,128     |
| <b>Supplemental Disclosures Of Cash Flow Information</b>  |                    |                  |
| Cash paid for interest  | \$ 6,420           | \$ 48,129        |
| Equipment acquired through capital lease obligation   | \$ 105,964         | \$ -             |

See Notes To Financial Statements.

## Congressional Hispanic Caucus Institute, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Organization And Significant Accounting Policies

Nature of organization: The Congressional Hispanic Caucus Institute, Inc. (CHCI) was established in 1978 as a 501(c)(3) non-profit 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.

On January 24, 2013, CHCI sold its building and land for \$3,250,000 and paid off the balance of the bonds payable and terminated the swap, resulting in payments of \$1,292,328 at settlement. The net book value of the building and land was \$1,779,613 which was written off in January 2013. A gain on sale totaling \$1,165,881 resulted from the sale and is included in the statement of activities.

A summary of CHCI's significant programs are as follows:

Public Policy Fellowship: CHCI's Public Policy Fellowship Program offers between 12 – 15 individuals a paid, nine-month fellowship and professional leadership training program for young Latinos who have completed a bachelor's degree. Fellows work in congressional offices on Capitol Hill, corporate federal affairs offices, congressional committees and federal agencies, the White House, national nonprofit advocacy organizations, and government-related institutes. This intensive work experience is enhanced by weekly professional development training sessions where they engage with national leaders around substantive public policy issues. Exposure to the wealth of information, contacts, and political activity in Washington, D.C., gives fellows a unique opportunity to pursue their public policy career goals.

Graduate Fellowships: CHCI's Graduate Fellowship Program helps increase the number of Latino leaders in policy areas in which they are traditionally under-represented. It provides between 8 – 10 exceptional Latino college graduates from across the country unparalleled opportunities for professional experience in the public arenas of education, health, housing, international affairs law, and the STEM fields (science, technology, engineering and mathematics). It also offers a chance to participate in CHCI's nationally acclaimed leadership development training program, including research and publication of a public policy paper about a public policy issue in their chosen field. These policy papers are presented to an audience of key public and private sector leaders on Capitol Hill each spring.

Congressional Internships: CHCI's Congressional Internship Program provides over 60 Latino college students with work placement on Capitol Hill four days a week, where they gain substantive work and networking experience. Interns also participate in once-a-week professional development and leadership training where they meet with national public and private sector leaders and engage in national policy discussions. This comprehensive approach to leadership preparation provides unmatched professional and learning opportunities. Promising Latino undergraduates from across the country are selected for participation in this prestigious program.

Scholarships: CHCI's Scholarship Program supports between 145 – 170 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.

## Congressional Hispanic Caucus Institute, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Organization And Significant Accounting Policies (Continued)

National Housing Initiative (NHI): HOGAR, the Spanish word for home, stands for “Hispanic Ownership, a Growing American Reality.” CHCI launched its HOGAR housing initiative in September 2003 to ensure that Latinos share equally in the American dream of homeownership. HOGAR has three complementary components: (1) a fellowship program to increase Latino leaders in the housing field; (2) housing community events to educate consumers on financial literacy and the mortgage process; and (3) research and analysis that address homeownership barriers Latinos face and the opportunities that exist for them to become homeowners.

Other Programs: CHCI serves as the clearinghouse of educational services and information to provide Latino youth with the tools and resources they need to attain a higher education. For those students in high school and in college, CHCI offers planning packages and financial aid information that students and parents can download or order from CHCI’s website.

Updated every other year, the Directory is the number one place to find opportunities for Latino students to finance their education and receive hands-on experience in the field of their choice. With information on scholarships, internships, and fellowships, the Directory includes contact information and summaries of both regional and national opportunities.

Ready to Lead (R2L): CHCI’s high school college-readiness program travels up to eight cities across the country and provides educational and information resources to Latino high school students and their parents, to empower and motivate families with the belief that college is attainable. The interactive one-day program includes financial literacy training and tools in both Spanish and English to help students and parents understand how to effectively prepare for and apply to college, R2L’s Mentoring “Power Hour” connects students to successful CHCI alumni and Hispanic professionals who serve as role models. In 2011, CHCI expanded the R2L program to provide selected students a week in the nation’s capitol, providing innovative learning tools to provide a broad perspective of the professional opportunities open to students with a college education.

Annual Conference and Gala: CHCI’s Annual Conference and Gala Program facilitates discussion on the most significant issues affecting the Latino community. The conference takes an innovative approach with a concurrent summit series, which is based on the taskforce of the Congressional Hispanic Caucus and thus chaired by a Hispanic member of the U.S. Congress.

The summit format not only focuses attention on the most important issues but also helps to achieve the highest level of participation from the conference attendees, Summit topics range from education and immigration to finance and international trade. The Annual Gala serves to highlight the Latino accomplishments and contributions to our nation and recognize luminary leaders with Medal of Excellence awards.

Latino Inaugural: CHCI held a ball in January 2013 to recognize and celebrate the members of Congress that were elected from the Latino community.

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, revenue is recognized when earned and expenses are recognized when incurred.

## Congressional Hispanic Caucus Institute, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Organization And Significant Accounting Policies (Continued)

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit entities topic of the FASB ASC, *Financial Statements of Not-for-Profit Organizations*, CHCI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and cash equivalents: CHCI considers all money market accounts to be cash equivalents.

Financial risk: CHCI maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. CHCI has not experienced any losses in such accounts. CHCI believes it is not exposed to any significant financial risk on cash.

CHCI invests in a professionally managed portfolio that contains common stock, exchange traded funds, corporate bonds, government bonds, and money market funds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that change in the near term could materially affect investment balances and the amounts reported in the financial statements.

Promises to give: Contributions are recognized when the donor makes a promise to give to CHCI that is, in substance, unconditional. Promises to give to be received in a future period are discounted to their net present value at the time the revenue is recorded. The allowance for doubtful promises to give is based on management's evaluation of the status of existing promises to give and historical results. Management has determined that no allowance for doubtful promises was needed at December 31, 2013.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, change in fair market value is charged or credited to operations.

Property and equipment: Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful life of three to ten years. CHCI capitalizes all property and equipment with a cost of \$1,000 or more.

Valuation of long-lived assets: Long-lived assets and certain identifiable intangible 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 rent: CHCI has a lease agreement for rental space in Washington, D.C. that includes a rent abatement. Rent expense is being recognized on a straight-line basis over the life of the lease. The difference between rent expense recognized and rental payments, as stipulated in the lease, is reflected as deferred rent in the balance sheet.

Support and revenue: All donor-restricted grants and contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

## Congressional Hispanic Caucus Institute, Inc.

### Notes To Financial Statements

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#### Note 1. Nature Of Organization And Significant Accounting Policies (Continued)

Conference, Latino Inaugural, gala, and event fees are recognized at the time of the conference or event. Amounts received in advance are recorded as deferred revenue.

CHCI receives contributions of donated services from individuals, businesses, and other organizations toward the fulfillment of program objectives and general operations. Those services, which are objectively measurable, have been included in both revenue and the related functional expense categories.

Income taxes: CHCI is generally exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. In addition, CHCI qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Business income, which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. CHCI had no net unrelated business income for the year ended December 31, 2013.

Management evaluated CHCI's tax positions and concluded that CHCI had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Generally, CHCI is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2010.

Net assets: The financial statement presentation follows the recommendation of the Not-for-Profit Entities Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this ASC, CHCI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

*Board designated net assets* are 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, 2013, and the balance at December 31, 2013, was \$250,000.

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

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

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Indirect costs are unallocated in the statement of activities. For the year ended December 31, 2013, \$1,241,155 of indirect costs was allocated to program services and \$310,971 was allocated to supporting services.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Congressional Hispanic Caucus Institute, Inc.**

**Notes To Financial Statements**

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**Note 1. Nature Of Organization And Significant Accounting Policies (Continued)**

Prior year information: The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year's summarized comparative information has been derived from the financial statements for the year ended December 31, 2012.

Reclassifications: Certain amounts in the 2012 financial statements have been reclassified to conform to the presentation in the 2013 statements, with no effect on the previously reported change in net assets.

Subsequent events: CHCI evaluated subsequent events through June 9, 2014, which is the date the financial statements were available to be issued.

**Note 2. Promises To Give**

As of December 31, 2013, contributors to CHCI have made written promises to give totaling \$3,521,427. Promises due in more than one year have been recorded at the present value of the estimated cash flows, using discount rates based on market rates ranging from 1.86% to 2.44%.

Promises to give are due as follows at December 31, 2013:

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|                                    |                           |
|------------------------------------|---------------------------|
| Less than one year                 | \$ 2,880,627              |
| One to five years                  | 1,240,800                 |
|                                    | <hr/> 4,121,427           |
| Less discount to net present value | 46,085                    |
|                                    | <hr/> <u>\$ 4,075,342</u> |

**Note 3. Investments**

Investments consist of the following at December 31, 2013:

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|                    |                           |
|--------------------|---------------------------|
| Equities           | \$ 2,827,978              |
| Fixed income       | 2,704,730                 |
| Money market funds | 296,900                   |
|                    | <hr/> <u>\$ 5,829,608</u> |

Investment income for the year ended December 31, 2013, consists of the following:

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|                                    |                         |
|------------------------------------|-------------------------|
| Unrealized and realized gains, net | \$ 641,950              |
| Interest and dividends             | 77,853                  |
| Investment fees                    | (22,000)                |
|                                    | <hr/> <u>\$ 697,803</u> |

## Congressional Hispanic Caucus Institute, Inc.

### Notes To Financial Statements

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#### Note 4. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2013, and depreciation expense for the year ended December 31, 2013, consist of the following:

| Asset Category      | Estimated Useful Lives | Cost              | Accumulated Depreciation | Net               | Depreciation Expense |
|---------------------|------------------------|-------------------|--------------------------|-------------------|----------------------|
| Equipment           | 3 to 10 years          | \$ 406,537        | \$ 342,233               | \$ 64,304         | \$ 13,005            |
| Leased equipment    | 3 to 10 years          | 105,964           | 13,917                   | 92,047            | 13,917               |
| Furniture           | 3 to 10 years          | 24,484            | 24,293                   | 191               | 3,534                |
| Software in process | -                      | 75,903            | -                        | 75,903            | -                    |
|                     |                        | <u>\$ 612,888</u> | <u>\$ 380,443</u>        | <u>\$ 232,445</u> | <u>\$ 30,456</u>     |

#### Note 5. Fair Value Measurement

The *Fair Value Measurement* Topic of the FASB ASC establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. This topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic requires disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. It enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. This topic requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

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, 2013. There were no liabilities subject to fair value measurement at December 31, 2013.

**Congressional Hispanic Caucus Institute, Inc.**

**Notes To Financial Statements**

**Note 5. Fair Value Measurement (Continued)**

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy at December 31, 2013:

|                            | Level 1             | Level 2             | Level 3     | Total               |
|----------------------------|---------------------|---------------------|-------------|---------------------|
| Assets at fair value:      |                     |                     |             |                     |
| Equities                   |                     |                     |             |                     |
| Common Stock               |                     |                     |             |                     |
| Basic materials            | \$ 47,580           | \$ -                | \$ -        | \$ 47,580           |
| Communications             | 116,883             | -                   | -           | 116,883             |
| Consumer goods             | 417,108             | -                   | -           | 417,108             |
| Energy                     | 88,293              | -                   | -           | 88,293              |
| Financial                  | 301,854             | -                   | -           | 301,854             |
| Industrial goods           | 312,286             | -                   | -           | 312,286             |
| Technology                 | 205,434             | -                   | -           | 205,434             |
| Utilities                  | 52,920              | -                   | -           | 52,920              |
| Exchange Traded Funds      |                     |                     |             |                     |
| Financial                  | 907,702             | -                   | -           | 907,702             |
| Services                   | 85,246              | -                   | -           | 85,246              |
| Industrial goods           | 101,380             | -                   | -           | 101,380             |
| Consumer goods             | 95,720              | -                   | -           | 95,720              |
| Basic materials            | 40,715              | -                   | -           | 40,715              |
| Real estate                | 31,545              | -                   | -           | 31,545              |
| Health                     | 23,312              | -                   | -           | 23,312              |
| <b>Total equities</b>      | <b>2,827,978</b>    | <b>-</b>            | <b>-</b>    | <b>2,827,978</b>    |
| Fixed Income               |                     |                     |             |                     |
| Corporate Bonds            |                     |                     |             |                     |
| Financial                  | 129,916             | -                   | -           | 129,916             |
| Technology                 | 19,949              | -                   | -           | 19,949              |
| Government Bonds           |                     |                     |             |                     |
| Federal Home Loan Mortgage | -                   | 276,153             | -           | 276,153             |
| U.S. Treasury              | -                   | 231,968             | -           | 231,968             |
| Municipalities             | -                   | 2,046,744           | -           | 2,046,744           |
| <b>Total fixed income</b>  | <b>149,865</b>      | <b>2,554,865</b>    | <b>-</b>    | <b>2,704,730</b>    |
|                            | <b>\$ 2,977,843</b> | <b>\$ 2,554,865</b> | <b>\$ -</b> | <b>\$ 5,532,708</b> |

Money market funds are not subject to the provisions of fair value measurements as they are recorded at cost and totaled \$296,900 at December 31, 2013.

The fair value of common stock, exchange traded funds, and corporate bonds is determined based on quoted market prices, when available, or market prices provided by a recognized broker dealer; thus, they are categorized as Level 1. The government bonds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items.

## Congressional Hispanic Caucus Institute, Inc.

### Notes To Financial Statements

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#### Note 6. Line Of Credit

CHCI maintains a \$250,000 line of credit with a bank which matures June 30, 2014. The line of credit requires variable interest payments, calculated based on prime rate (3.25% as of December 31, 2013). The line of credit is secured by substantially all assets of CHCI. There were no borrowings on the line of credit during the year ended December 31, 2013, and no outstanding balance at December 31, 2013.

#### 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, 2013, are payable as follows:

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|                            |                   |
|----------------------------|-------------------|
| Total scholarships payable | \$ 457,667        |
| Less current portion       | (277,667)         |
|                            | <u>\$ 180,000</u> |

#### Note 8. Leasing Arrangements

Operating lease: On January 24, 2013, CHCI leased the building it sold from the new owner for a period of 14 months with monthly rent payments totaling \$13,400. In December 2013, CHCI entered into a lease agreement for an office space in Washington, D.C. The lease term commenced December 1, 2013, and expires on April 30, 2016. The lease provided CHCI with one month's free rent and monthly rental payments of \$24,097 for the life of the lease. CHCI is recognizing rent expense on a straight-line basis and the difference is recorded as a deferred rent liability of \$22,436 in the accompanying balance sheet.

Future minimum rental payments on this lease are as follows:

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|                           |                   |
|---------------------------|-------------------|
| Years Ending December 31, |                   |
| 2014                      | \$ 289,175        |
| 2015                      | 289,175           |
| 2016                      | 96,392            |
|                           | <u>\$ 674,742</u> |

For the year ended December 31, 2013, total rent expense was \$183,992.

Capital lease: In February 2013, CHCI entered into a capital lease for office equipment for \$105,964, which is included in property and equipment on the balance sheet. Monthly payments approximate \$1,700 and the lease expires in July 2018.

**Congressional Hispanic Caucus Institute, Inc.**

**Notes To Financial Statements**

**Note 8. Leasing Arrangements (Continued)**

Future minimum rental payments for this lease at December 31, 2013, are as follows:

| Years Ending December 31,         |                  |
|-----------------------------------|------------------|
| 2014                              | \$ 20,340        |
| 2015                              | 20,340           |
| 2016                              | 20,340           |
| 2017                              | 20,340           |
| 2018                              | 13,829           |
| Total payments                    | 95,189           |
| Less amount representing interest | 628              |
|                                   | <u>\$ 94,561</u> |

**Note 9. Temporarily Restricted Net Assets**

Temporarily restricted net assets include donor-restricted, which are only available for program activities, or supporting services designated for future years. Temporarily restricted net assets were released from restrictions during the year ended December 31, 2013, due to the time restriction ending or the purpose restriction being accomplished.

Temporarily restricted net assets at December 31, 2013, are available for the following programs:

|  | Balance<br>December 31,<br>2012 | Additions           | Released            | Balance<br>December 31,<br>2013 |
|--|---------------------------------|---------------------|---------------------|---------------------------------|
| Time and purpose restricted:           |                                 |                     |                     |                                 |
| Internships                            | \$ 1,114,358                    | \$ 1,882,566        | \$ 1,243,261        | \$ 1,753,663                    |
| Capital Campaign                       | -                               | 1,370,250           | 732,523             | 637,727                         |
| Public policy and graduate fellowships | 640,714                         | 1,053,852           | 1,134,201           | 560,365                         |
| Scholarships                           | 105,000                         | 856,507             | 526,507             | 435,000                         |
| National Housing Initiative            | 195,802                         | -                   | 96,344              | 99,458                          |
| Other program services                 | 212,722                         | 275,599             | 391,089             | 97,232                          |
| Alumni                                 | -                               | 80,000              | 52,500              | 27,500                          |
| Accumulated earnings on endowment      | 681                             | 434                 | -                   | 1,115                           |
|  | <u>\$ 2,269,277</u>             | <u>\$ 5,519,208</u> | <u>\$ 4,176,425</u> | <u>\$ 3,612,060</u>             |

## Congressional Hispanic Caucus Institute, Inc.

### Notes To Financial Statements

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#### Note 10. Permanently Restricted Net Assets

CHCI's endowment consists of donor-restricted endowment funds. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CHCI classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the organization 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 the organization 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 as of December 31, 2013:

|                                      | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|--------------------------------------|---------------------------|---------------------------|-------------------|
| Congressional Internships – Cisneros |                           |                           |                   |
| Family Endowment                     | \$ 629                    | \$ 500,663                | \$ 501,292        |
| Solomon P. Ortiz Scholarships        | 486                       | 118,550                   | 119,036           |
|                                      | <u>\$ 1,115</u>           | <u>\$ 619,213</u>         | <u>\$ 620,328</u> |

Changes in endowment net assets for the year ended December 31, 2013:

|   | Temporarily<br>Restricted | Permanently<br>Restricted | Total             |
|---|---------------------------|---------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 681                    | \$ 619,213                | \$ 619,894        |
| Interest income                         | 434                       | -                         | 434               |
| Endowment net assets, end of year       | <u>\$ 1,115</u>           | <u>\$ 619,213</u>         | <u>\$ 620,328</u> |

## Congressional Hispanic Caucus Institute, Inc.

### Notes To Financial Statements

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

Return objectives and risk parameters: CHCI has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Large Cap Index while assuming a moderate level of investment risk. To satisfy its long-term rate-of-return objectives, CHCI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CHCI targets a diversified asset allocation that places a greater emphasis on equity-based and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy: CHCI has no established spending policy.

#### **Note 11. Retirement Plan**

CHCI maintains a defined contribution 401(k) profit-sharing plan (the Plan), which is available to all employees who meet certain length of service criteria. CHCI will match 100% of each employee's salary reduction contribution, up to a limit of 3% of salary. CHCI may elect to contribute an additional \$1,500 per employee, per year, based on the employee's eligibility date in the initial year and each anniversary date thereafter. Employees may also make voluntary contributions to the Plan. Contributions for the year ended December 31, 2013, were \$84,941.