
May 1997

FINANCIAL AUDIT

Congressional Award Foundation's 1996 and 1995 Financial Statements



**Comptroller General
of the United States**

B-275453

May 15, 1997

To the President of the Senate and the
Speaker of the House of Representatives

This report presents our opinion on the financial statements of the Congressional Award Foundation for the fiscal years ended September 30, 1996 and 1995. These financial statements are the responsibility of the Congressional Award Foundation. This report also presents (1) our opinion on the Foundation management's assertions regarding the effectiveness of its internal controls as of September 30, 1996, and (2) our evaluation of the Foundation's compliance with laws and regulations during fiscal year 1996.

We conducted our audits pursuant to section 8 of the Congressional Award Act, as amended (2 U.S.C. 807), and in accordance with generally accepted government auditing standards.

We are sending copies of this report to the Chairman of the National Board of Directors, Congressional Award Program; the National Director, Congressional Award Foundation; the Chairmen and Ranking Minority Members of the Senate Committee on Governmental Affairs and the House Committee on Education and the Workforce; and other interested parties.

This report was prepared under the direction of Robert W. Gramling, Director, Corporate Audits and Standards.

A handwritten signature in black ink, appearing to read "James F. Hinchman". The signature is stylized with large, flowing loops and a prominent "H".

James F. Hinchman
Acting Comptroller General
of the United States

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**Accounting and Information
Management Division**

B-275453

To the President of the Senate and the
Speaker of the House of Representatives

We have audited the statements of financial position of the Congressional Award Foundation as of September 30, 1996 and 1995, and the related statements of activities and statements of cash flows for the fiscal years then ended. We found

- the financial statements were reliable in all material respects;
- the Congressional Award Foundation's management fairly stated that internal controls in place on September 30, 1996, were effective in safeguarding assets from material loss, assuring material compliance with relevant laws and regulations, and assuring that there were no material misstatements in the financial statements; and
- no reportable noncompliance with laws and regulations we tested for the fiscal year ended September 30, 1996.

The following sections provide additional detail concerning our conclusions and the scope of our audit.

Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in all material respects, in conformity with generally accepted accounting principles, the Congressional Award Foundation's financial position as of September 30, 1996 and 1995, and the results of its activities and its cash flows for the fiscal years then ended.

Opinion on Management's Assertions About the Effectiveness of Internal Controls

We evaluated the Foundation management's assertions about the effectiveness of its internal controls designed to

- safeguard assets against loss from unauthorized acquisition, use, or disposition;
- assure the execution of transactions in accordance with management's authority and with selected provisions of those laws and regulations that have a direct and material effect on the financial statements of the Foundation; and
- properly record, process, and summarize transactions to permit the preparation of reliable financial statements and to maintain accountability for assets.

Management of the Congressional Award Foundation fairly stated that those controls in place on September 30, 1996, provided reasonable assurance that losses, noncompliance, or misstatements material in relation to the financial statements would be prevented or detected on a timely basis. Management made this assertion based upon criteria established under the Federal Managers' Financial Integrity Act of 1982 and the Office of Management and Budget Circular A-123, Management Accountability and Control.

Although management's assertion regarding the effectiveness of internal controls is fairly stated in all material respects based on the control criteria cited above, we noted certain matters involving the Foundation's internal accounting controls and its operations. These matters, while not significant, will be reported to management separately, and copies will be provided to the appropriate congressional committees.

Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under generally accepted government auditing standards. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

The Foundation's management is responsible for

- preparing the Foundation's annual financial statements in conformity with generally accepted accounting principles;
- establishing, maintaining, and assessing the Foundation's internal control to provide reasonable assurance that the internal control objectives mentioned above are met; and
- complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are free of material misstatement and presented fairly, in all material respects, in conformity with generally accepted accounting principles and (2) management's assertion about the effectiveness of internal controls is fairly stated, in all material respects, based upon the internal control criteria used by the Foundation's management in making this assertion. We are also responsible for testing compliance with selected provisions of laws and regulations.

In order to fulfill these responsibilities, we

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by the Foundation's management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the Foundation's internal controls related to safeguarding assets, compliance with laws and regulations, and financial reporting;
- tested relevant internal controls over safeguarding, compliance, and financial reporting and evaluated management's assertion about the effectiveness of internal controls; and
- tested compliance with selected provisions of the Congressional Award Act, as amended.

We did not evaluate all internal controls relevant to operating objectives, such as controls relevant to ensuring efficient operations. We limited our internal control testing to those controls necessary to achieve the objectives outlined in our opinion on management's assertion about the effectiveness of internal controls. Because of inherent limitations in any internal control, losses, noncompliance, or misstatements may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate.

We conducted our audits from November 5, 1996, to April 11, 1997. Our audits were conducted in accordance with generally accepted government auditing standards.

Foundation Comments and Our Evaluation

We provided a draft of our report to Congressional Award Foundation officials for their review and comment. The Foundation officials agreed with the contents of our report.

A handwritten signature in black ink, appearing to read "Jeffrey C. Steinhoff". The signature is fluid and cursive, with the first name "Jeffrey" being more prominent and the last name "Steinhoff" following in a similar style.

Jeffrey C. Steinhoff
Director of Planning and
Reporting

April 11, 1997

Financial Statements

Statements of Financial Position

Financials

The Congressional Award Foundation Statements of Financial Position as of September 30

Assets	1996	1995 (As Restated)
Cash (Note 3)	\$53,513.35	\$52,015.70
Contributions Receivable, Net (Note 4)	35,000.00	75,226.08
Accounts Receivable, Net (Note 5)	5,100.90	4,741.25
Prepaid Expenses	657.48	769.15
Congressional Award Fellowship Trust (Note 6)	243,450.75	189,656.66
Equipment, Furniture & Fixtures, Net	<u>6,865.46</u>	<u>10,136.42</u>
Total Assets	<u>\$344,587.94</u>	<u>\$332,545.26</u>
Liabilities and Net Assets (Note 7)		
Accounts Payable	\$14,449.99	\$32,946.01
Accrued Payroll & Related Taxes	4,977.57	6,996.49
Escrowed Funds — Arizona (Note 8)	<u>542.11</u>	<u>0.00</u>
Total Liabilities	\$19,969.67	\$39,942.50
Net Assets (Note 7)		
Unrestricted	\$29,958.84	\$49,037.48
Temporarily restricted	51,201.54	53,658.62
Permanently restricted	<u>243,457.89</u>	<u>189,906.66</u>
Total Net Assets	\$324,618.27	\$292,602.76
Total Liabilities & Net Assets	<u>\$344,587.94</u>	<u>\$332,545.26</u>

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statements of Activities

Financials

The Congressional Award Foundation Statements of Activities for the Fiscal Years ended September 30

Changes in unrestricted net assets:	1996	1995
Revenues		(As Restated)
Contributions	\$447,692.24	\$282,379.17
Contributions — In Kind (Note 9)	38,799.18	21,685.51
Program Revenues	30,921.53	41,383.79
Interest and dividends	12,880.41	15,161.02
Other	29.00	260.46
Total Revenues	\$530,322.36	\$360,869.95
Net assets released from restrictions:		
Satisfaction of program restrictions (Note 10)	\$13,425.70	\$5,877.97
Total unrestricted revenues and other support	\$543,748.06	\$366,747.92
Expenses		
Salaries, benefits & payroll taxes	\$218,306.72	\$233,509.93
Program, promotion & travel	78,593.27	83,072.02
Events	1,772.25	53,858.11
Fundraising expenses	186,979.89	46,193.21
Gold Award ceremony	20,804.38	17,048.24
Professional fees	44,114.29	16,945.16
Depreciation	4,270.93	6,036.12
Administrative & other expense	2,921.90	3,311.29
Bad Debt Expense	5,063.07	0.00
Total Expenses	\$562,826.70	\$459,974.08
Decrease in unrestricted net assets	(\$19,078.64)	(\$93,226.16)
Changes in temporarily restricted net assets:		
Contributions (Note 11)	\$10,968.62	\$16,542.41
Net assets released from restrictions (Note 10)	(13,425.70)	(5,877.97)
Increase (decrease) in temporarily restricted net assets ..	(\$2,457.08)	\$10,664.44
Changes in permanently restricted net assets:		
Contributions	\$50,250.00	\$4,250.00
Restricted-unrealized gain (loss) due to market changes in Trust investments	\$3,301.23	\$18,982.25
Increase in permanently restricted net assets	\$53,551.23	\$23,232.25
Total increase (decrease) in net assets	\$32,015.51	(\$59,329.47)
Net assets balance, beginning (Note 7)	\$292,602.76	\$351,932.23
Net assets balance, ending	\$324,618.27	\$292,602.76

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

Financials

The Congressional Award Foundation
Statements of Cash Flows
as of September 30

	1996	1995 (As Restated)
Cash Flows from Operating Activities		
Contributions Received	\$494,136.94	\$270,602.47
Cash received from Councils & Independents	29,998.81	39,889.75
Interest and dividends received	12,887.55	15,161.02
Cash received from sale of assets	29.00	260.46
Cash paid to employees	(220,325.64)	(232,199.87)
Cash paid to vendors	(315,771.12)	(199,439.03)
Net cash provided (used) by operating activities	\$955.54	(\$105,725.20)
Cash Flows from Investing Activities		
Cash paid to lease or acquire equipment	\$0.00	(\$3,474.20)
Cash Flows provided from (for) other activities		
Cash escrow received (paid to) Councils & Independents	\$542.11	(\$9,976.57)
Net Increase (decrease) in cash	\$1,497.65	(\$119,175.97)
Cash at Beginning of Year	\$52,015.70	\$171,191.67
Cash at End of Year	\$53,513.35	\$52,015.70
Reconciliation of change in net assets to net cash provided (used) by operating activities		
Change in net assets	\$32,015.51	(\$59,329.47)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Unrealized gain in Trust investments	(\$3,294.09)	(\$18,982.25)
Depreciation expense	4,270.93	6,036.12
Restricted Trust Fund contributions	(50,500.00)	(4,000.00)
Net in-kind contributions — equipment	(999.97)	0.00
Decrease (increase) in contributions receivable	40,226.08	(28,569.11)
Decrease (increase) in other accounts receivable	(359.65)	(1,494.04)
Decrease (increase) in prepaid expenses	111.67	2,657.41
(Decrease) increase in accounts payable	(18,496.02)	(3,353.92)
Increase (decrease) in accrued payroll and related taxes	(2,018.92)	1,310.06
Net cash provided (used) by operating activities	\$955.54	(\$105,725.20)

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

Financials

Notes to Financial Statements

September 30, 1996

Note 1: Organization

The Congressional Award Foundation was formed in 1979 under Public Law 96-114 and is a private, non-profit, tax-exempt organization under Section 501(c)(3) of the IRS code established to promote initiative, achievement, and excellence among youth in the areas of public service, personal development, physical fitness and expedition. In September 1996, President Bill Clinton signed Public Law 104-208, Section 5401 of which reauthorized the Congressional Award through September 30, 1999. Section 637 of Public Law 103-329 (September 30, 1994) provides that the United States Mint charge the Numismatic Public Enterprise Fund for the cost of striking Congressional Award Medals.

Note 2: Summary of Significant Accounting Policies

a. Basis of accounting - The financial statements are prepared on the accrual basis of accounting. Assets and services which are contributed to the Foundation are included in the financial statements at fair value as of the date of the contribution.

b. Basis of presentation - Effective for fiscal year 1996, the Foundation has adopted Statements of Financial Accounting Standards numbers 116 and 117. These statements provide for 1) the accounting treatment for contributions received and contributions made and 2) the form and content of financial statements for not-for-profit organizations. While these accounting standards were not required to be implemented by the Foundation for fiscal year 1996, the Foundation has elected earlier adoption of these standards, with the exception of reporting expenses by their functional classification. Fiscal year 1995 amounts were restated to reflect retroactive application of these standards.

c. Use of estimates - The preparation of the Foundation's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

d. The Foundation records as revenue contributions of cash, promises to give, certain contributed services and gifts of long-lived and other assets. Multi-year pledges that are unconditional promises of cash payments over a period of time are discounted to the present value, based upon prevailing interest rates, and recorded in total in the period of the initial pledge.

The Foundation reports contributions and other assets as restricted support if they are received with stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of 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.

- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Foundation.
- Unrestricted net assets are either not restricted by donors, or the donor-imposed restrictions have expired.

e. Office Furniture and Equipment - Office furniture and equipment is stated at cost to the Foundation, or, as described in a. above, fair value at the date of contribution. The fixed assets for office furniture and equipment in excess of \$500 are depreciated on the straight line basis over their estimated useful lives of five years.

Note 3: Cash

Cash as reflected on the Statements of Financial Position is classified as follows:

	1996	1995
Permanently Restricted	\$7.14	\$0.00
Temporarily Restricted	36,201.54	14,337.47
Unrestricted	<u>17,304.67</u>	<u>37,678.23</u>
Total Cash	\$53,513.35	\$52,015.70

Financials

Note 4: Contributions Receivable

At September 30, 1996 and 1995, contributions receivable and due within one year consist of promises to give and due to be collected as described in Note 2.d. and as follows:

	1996	1995
Unrestricted	\$24,500.00	\$35,547.43
Less: Allowance for Doubtful Accounts	<u>(4,500.00)</u>	<u>0.00</u>
Net Unrestricted	\$20,000.00	\$35,547.43
Temporarily Restricted	\$15,000.00	\$39,428.65
Permanently Restricted	<u>0.00</u>	<u>250.00</u>
Contributions Receivable, Net	\$35,000.00	\$75,226.08

Note 5: Accounts Receivable, Net

At September 30, 1996 and 1995, accounts receivable consist of payments due from vendors, employees and Councils as follows:

	1996	1995
Unrestricted	\$5,663.97	\$4,741.25
Less: Allowance for Doubtful Accounts	<u>(563.07)</u>	<u>0.00</u>
Accounts Receivable, Net	\$5,100.90	\$4,741.25

Note 6: Congressional Award Fellowship Trust

The Congressional Award Fellowship Trust was created through contributions from supporters of the Congressional Award program, including members of the World Fellowship, an organization established to promote similar programs throughout the world. Total contributions to the Trust since its inception in 1990 are \$220,701.30. The terms of the Trust entitle the Foundation to all earnings on the Trust principal.

The Trust principal is included as a permanently restricted asset in the Statements of Financial Position. The Foundation believes the earnings from this Trust will continue indefinitely. The earnings the Foundation received from this Trust in fiscal years 1996 and 1995 were \$11,325.31 and \$11,195.40. Through March 31, 1997, the net unrealized gain on Trust Fund investments for the first six months of fiscal year 1997 equaled \$13,453.99.

Financials

Note 7: Impact of Restatements

As discussed in Note 2, during fiscal year 1996, the Foundation adopted Statements of Financial Accounting Standards nos. 116 and 117. As a result, the previously issued financial statements for 1995 have been restated and the 1995 beginning Fund Balance has been converted to Net Assets as a result of retroactively applying the new accounting standards. This conversion is presented below:

Adjustments to Convert 1995 Beginning Fund Balances to Beginning Net Assets

Elements of Fund Balance	Amounts As Reported	Adjustments	Amounts As Restated
Restricted-Congressional Award Fellowship Trust	(\$166,674.41)	\$166,674.41	\$0.00
Unrestricted-South Bronx Project Fund	37,428.37	(37,428.37)	0.00
Unrestricted-Stanley C. Morris Scholarship Fund	(752.15)	752.15	0.00
Unrestricted-General Fund	<u>(178,608.40)</u>	<u>178,608.40</u>	<u>0.00</u>
Total Beginning Fund Balance	(\$308,606.59)	\$308,606.59	\$0.00
Deferred Revenue			
Deferred Revenue	(\$43,325.64)	\$42,994.18	
1994 Interest-Stanley Morris Reclassified to Unrestricted		331.46	\$0.00
Net Assets			
Unrestricted	\$0.00	(\$178,608.40)	
		37,428.37	
		(752.15)	
		(331.46)	(142,263.64)
Temporarily Restricted	0.00	(42,994.18)	(42,994.18)
Permanently Restricted	0.00	<u>(166,674.41)</u>	<u>(166,674.41)</u>
Total Beginning Net Asset Balance	\$0.00	(\$351,932.23)	(\$351,932.23)

The amount reported in 1995 as "Excess of Expenses Over Revenue After Other Income" in previously issued Financial Statements has been converted to "Total Decrease in Net Assets" to reflect the application of the new accounting standards as follows:

Excess of Expenses Over Revenue	
As Previously Reported	(\$61,256.31)
Adjustments	<u>1,926.84</u>
Total Decrease in Net Assets as Restated	(\$59,329.47)

The adjustment of \$1,926.84 to "Excess of Expenses Over Revenue" resulted primarily from the recognition of net imputed interest on a temporarily restricted Contribution Receivable and the recognition of a refund received in 1996 for an event held in 1995.

Financials

Note 8: Escrowed Funds

At September 30, 1996, funds in the amount of \$542.11 were held in escrow by the Foundation, for use by the Arizona Congressional Award Council. These funds are reflected in unrestricted amounts of the cash balance.

Note 9: In-kind Contributions

During fiscal years 1996 and 1995 the Foundation received non-cash contributions accounted for as contributions and expenses in the statements of activities. These non-cash contributions are as follows:

	1996	1995
Office space	\$2,478.90	\$2,880.00
Professional services (Legal)	25,000.00	10,000.00
Professional services (Financial Mgmt.)	0.00	2,500.00
Event sponsorship	0.00	6,180.51
Promotion		
(Publication & Photographic Support)	10,140.00	125.00
Equipment and Supplies	<u>1,180.28</u>	<u>0.00</u>
	\$38,799.18	\$21,685.51

As a means of providing support to the Congressional Award without providing funding, Congress, through Section 7(e) of the Congressional Award Act, as amended by Section 7(c) of Public Law 101-525, the Congressional Award Amendments of 1990, states that "...The Board may benefit from in-kind and indirect resources provided by Offices of Members of Congress or the Congress." Resources provided by Congress to the Board include use of office space, office furniture, and certain utilities. These costs cannot be readily determined and are not included in the financial statements. Telephone costs are paid by the Foundation to the U.S. Treasury.

Note 10: Release of Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	1996	1995
Nevada Council Development	\$8,072.44	\$662.53
Oklahoma Council Development	63.49	0.00
South Bronx	5,000.00	5,000.00
Board Expenses	<u>289.77</u>	<u>215.44</u>
Total	\$13,425.70	\$5,877.97

Note 11: Temporarily Restricted Contributions

Temporarily Restricted Contributions received by purpose:

	1996	1995
Nevada Council Development Interest	\$678.85	\$1,326.97
Oklahoma Council Development	0.00	10,000.00
South Bronx	5,000.00	5,000.00
D.C. Council Development	5,000.00	0.00
Board Expenses	<u>289.77</u>	<u>215.44</u>
Total	\$10,968.62	\$16,542.41

Note 12: Employee Retirement Plan

The Foundation participates in a voluntary 403B tax-deferred annuity plan, which was activated on August 27, 1993. The Foundation is not required to contribute to the plan and has made no contributions to the plan.

Note 13: Related Party Transactions

Due to the nature of the Foundation, contributions are often solicited or received from members of the Congressional Award Board or other related parties. The following related party transactions occurred for the fiscal years ended September 30, 1996 and 1995.

An ex-officio Director of the Board and an attorney during fiscal years 1996 and 1995, provided pro bono legal services to the Foundation. The value of legal services is included in the in-kind contributions and professional fees line items.

A Director of the Board provided pro bono management services for the Congressional Award Fellowship Trust during fiscal years 1996 and 1995.

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