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Report to the Congress

May 1998

FINANCIAL AUDIT

Congressional Award Foundation's 1997 and 1996 Financial Statements

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GAO

United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information Management Division

B-278595

May 15, 1998

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, 1997 and 1996. These financial statements are the responsibility of the Congressional Award Foundation. This report also presents (1) our opinion on Foundation management's assertions regarding the effectiveness of its internal controls as of September 30, 1997, and (2) our evaluation of the Foundation's compliance with laws and regulations during fiscal year 1997.

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.

Robert W. Gramling

Robert W. Gramling
Director, Corporate Audits
and Standards

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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, 1997 and 1996, 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, 1997, 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, 1997.

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, 1997 and 1996, 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, 1997, 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 earlier, 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 that (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 3, 1997, to April 24, 1998. 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. Foundation officials agreed with the contents of our report.

Robert W. Gramling
Director, Corporate Audits
and Standards

April 24, 1998

Financial Statements

Statements of Financial Position

The Congressional Award Foundation

Statements of Financial Position

	Fiscal years ended September 30, 1997	Fiscal years ended September 30, 1996 (As restated)
Assets		
Cash and cash equivalents (note 3)	$143,846	$ 52,971
Contributions receivable, net (note 4)	41,250	35,000
Accounts receivable, net (note 5)	9,057	5,101
Prepaid expenses	27,871	658
Congressional Award Fellowship Trust (note 6)	313,574	243,451
Equipment, furniture and fixtures, net (note 2)	21,373	6,865
Escrowed funds from councils, net (note 7)	4,420	542
Total assets	**$561,391**	**$344, 588**
Liabilities and Net Assets		
Accounts payable	$12,468	$14,450
Accrued payroll and related taxes	9,432	4,978
Refundable advances (note 15)	15,500	-
Escrowed funds due councils, net (note 7)	4,420	542
Total liabilities	**$41,820**	**$19,970**
Net Assets		
Unrestricted	$245,723	$ 52,716
Temporarily restricted	52,747	51,201
Permanently restricted	221,101	220,701
Total net assets	**$519,571**	**$324,618**
Total Liabilities and Net Assets	**$561,391**	**$344,588**

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

Statements of Activities

The Congressional Award Foundation

Statements of Activities

	Fiscal years ended September 30, 1997	Fiscal years ended September 30, 1996 (As restated)
Changes in Unrestricted Net Assets:		
Operating revenue and other support		
Contributions	$623,594	$447,692
Contributions - in kind (note 8)	38,000	38,799
Program and other revenues	45,157	30,951
Interest and dividends applied to current operations	16,888	12,880
Net assets released from restrictions	16,673	13,426
Satisfaction of program restrictions (note 9)	**$740,312**	**$543,748**
Total operating revenue and other support		
Operating expenses		
Salaries, benefits, and payroll taxes	$268,798	$218,307
Program, promotion, and travel	86,400	78,593
Events	1,791	1,772
Fund-raising expenses	158,582	186,980
Gold Award ceremony	39,914	20,805
Professional fees	47,928	44,114
Depreciation	4,055	4,271
Administrative and other expense	8,793	2,922
Bad debt expense	768	5,063
Total operating expenses	**$617,029**	**$562,827**
Other changes		
Investment earnings not applied to current operations	$ 69,724	$ 3,301
Increase (decrease) in unrestricted net assets	**$193,007**	**($15,778)**
Changes in Temporarily Restricted Net Assets:		
Contributions (note 10)	$18,219	$10,969
Net assets released from restrictions	(16,673)	(13,426)
Increase (decrease) in temporarily restricted net assets	**$ 1,546**	**($2,457)**
Changes in Permanently Restricted Net Assets:		
Contributions	$400	$50,250
Increase in permanently restricted net assets	**$400**	**$50,250**
Increase in Net Assets	**194,953**	**32,015**
Net Assets at Beginning of Year	$324,618	$292,603
Net Assets at Ending of Year	**$519,571**	**$324,618**

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

Statements of Cash Flows

The Congressional Award Foundation

Statements of Cash Flows

	Fiscal years ended September 30, 1997	Fiscal years ended September 30, 1996 (As restated)
Cash flows from operating activities:		
Contributions received	$635,562	$494,137
Refundable advances	15,500	-
Cash received from councils and independents	41,202	29,999
Interest and dividends received	16,888	12,887
Cash received from sale of assets	-	29
Cash paid to employees	(264,344)	(220,326)
Cash paid to vendors	(335,371)	(315,771)
Net cash provided from operating activities	**$109,437**	**$955**
Cash flows from investing activities:		
Cash paid to acquire equipment	$(18,562)	-
Net increase in cash	$ 90,875	$955
Cash at beginning of year	52,971	52,016
Cash at end of year	**$143,846**	**$52,971**
Reconciliation of Change in Net Assets to Net Cash Provided From Operating Activities		
Change in net assets	$194,953	$ 32,015
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Investment earnings not applied to operations	(69,724)	(3,301)
Return of capital received	-	7
Depreciation expense	4,055	4,271
Restricted trust fund contributions	(400)	(50,500)
Net in-kind contributions--equipment	-	(1,000)
Decrease (increase) in contributions receivable	(6,250)	40,226
Decrease (increase) in other accounts receivable	(3,956)	(360)
Decrease (increase) in prepaid expenses	(27,213)	112
Increase (decrease) in accounts payable	(1,982)	(18,496)
Increase (decrease) in accrued payroll and related taxes	4,454	(2,019)
Increase (decrease) in refundable advances	15,500	-
Net Cash Provided from Operating Activities	**$109,437**	**$ 955**

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

Notes to the Financial Statements

The Congressional Award Foundation

Notes to Financial Statements
for the Fiscal Years Ended September 30, 1997 and 1996

Note 1. Organization

The Congressional Award Foundation was formed in 1979 under Public Law 96-114 and is a private, nonprofit, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Service 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, the President signed Public Law 104-208, Section 5401 of which reauthorized the Congressional Award Foundation through September 30, 1999.

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 contributed to the Foundation are recorded in the accounting records at fair value as of the date of the contribution and reflected on an accrual basis in the Foundation's financial statements.

B. Basis of Presentation

The Foundation's financial statements and notes have been prepared in accordance with generally accepted accounting principles three accounting pronouncements applicable to not-for-profit organizations--Statements on Financial Accounting Standards (SFAS) Nos. 116, 117, and 124.

Effective for fiscal year 1996, the Foundation adopted SFAS Nos. 116 and 117. SFAS No. 116 established the accounting treatment for contributions received and contributions made. SFAS No. 117 established standards for the form and content of financial statements for not-for-profit organizations. While adoption of these two accounting standards was not required for fiscal year 1996, the Foundation elected their early adoption with the exception of one requirement of SFAS 117. SFAS 117 required that either the financial statements or footnotes for not-for-profit organizations disclose expense information by functional classification (such as major programs, fund-raising and classes of supporting services) as contrasted with "natural" expense classifications (such as, salaries and benefits, rents, deprecation, etc.) traditionally presented in financial statements. However, because the Foundation had not done the analysis necessary to a develop methodology or technique for allocating indirect expenses to functional classifications, the Foundation's fiscal year 1996 financial statements and footnotes do not disclose expense information by function classification.

The Foundation developed, effective for fiscal year 1997, a methodology to be applied annually, for allocating indirect expenses. Note 14, Expenses by Functional Classification, contains the required disclosure for fiscal year 1997. The Foundation's efforts to develop a methodology for allocating indirect expenses also resulted in an improved understanding of the underlying nature and characteristics of its natural expense accounts. Based on the improved understanding, the Foundation revised, for fiscal year 1997, the handling of certain natural expense accounts for the Statement of Activities. In summary, the effect of the revisions was to allocate a portion of certain expense accounts that had previously been assigned to the "program, promotion, and travel expense" line item to two other line items--"fund-raising" and "administrative and other."

In addition, for fiscal year 1997, the Foundation adopted SFAS No. 124, which provides measurement and disclosure guidelines for investments in equity securities with readily determinable fair values and for all investments in debt securities (see notes 6 and 16).

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 may differ from these estimates.

D. Contributions and Revenue Recognition

The Foundation records as contribution revenue amounts received in the form of cash, promises or pledges to give, and the fair value of certain contributed services and gifts of long-lived and other assets. Unconditional promises or pledges to give are recognized as a contribution receivable. Multiyear pledges or promises due over a period of time are discounted to their present value, based upon prevailing interest rates, and recognized in the period of initial pledge.

E. Classification of Net Assets

The Foundation classifies and reports net assets based on the existence of applicable restrictions limiting their use.

Permanently restricted net assets result from donor-imposed restrictions which stipulate that the resources donated be maintained permanently. The Foundation's permanently restricted contributions received to date have consisted of contributions designated for deposit into the Foundation's Fellowship Trust Fund. The Fund was established for the benefit of the charitable and educational purposes of the Foundation. The terms of the Trust allow the Foundation to use or expend all or part of the value of the Trust Fund in excess of the aggregate value of all of donations to the Trust when received.

Temporarily restricted net assets result from donor-imposed restrictions that permit the Foundation to use or expend the assets after the restriction has been satisfied. When a donor-imposed restriction is satisfied, that is, when a stipulated time restriction ends or the purpose of the 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.

Unrestricted net assets result from the receipt of unrestricted contributions, the expiration of donor-imposed restrictions on contributions, and changes in other assets and liabilities. These assets are available to the Board for use in support of current and future operations.

F. Office Furniture and Equipment

Office furniture and equipment is stated at cost to the Foundation, or, as described in note 2.A, at fair value at the date of contribution. Fixed assets such as office furniture valued in excess of $500 are depreciated on the straight-line basis over their estimated useful lives. Accumulated depreciation at September 30, 1997 and 1996, was $39,014 and $34,959, respectively.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with a maturity of 3 months or less when purchased to be cash equivalents.

Note 3. Cash

Cash as reported on the Statements of Financial Position consists of the following.

	1997	1996
Temporarily restricted	$52,747	$36,201
Unrestricted	91,099	16,770
Total cash	**$143,846**	**$52,971**

Note 4. Contributions Receivable, Net

Contributions receivable consist of promises to give that are due and payable after year end (see note 2.D). At September 30, 1997 and 1996, contributions receivable, net were as follows.

	1997	1996
Unrestricted	$41,250	$24,500
Less: allowance for doubtful accounts	-	(4,500)
Net unrestricted	41,250	20,000
Temporarily restricted	-	15,000
Permanently restricted	-	-
Contributions receivable, net	**$41,250**	**$35,000**

Note 5. Accounts Receivable, Net

At September 30, 1997 and 1996, accounts receivable consisted of payments due from vendors, employees, and councils as follows.

	1997	1996
Unrestricted	$9,057	$5,664
Less: Allowance for doubtful accounts	-	(563)
Accounts Receivable, Net	**$9,057**	**$5,101**

Note 6. Congressional Awards Fellowship Trust

A. Congressional Award Fellowship Trust

Established in 1990, the Congressional Award Fellowship Trust was created to benefit the charitable and educational purposes of the Foundation. The Foundation receives contributions intended for the Trust Fund from supporters of the Congressional Award Program, including members of the World Fellowship--an organization established to promote similar programs throughout the world.

B. Trust Policy and Accounting

Deposits to the Trust Fund are invested in equity and debt securities. Investments are carried at market value and classified, based on their nature, as either permanently restricted or unrestricted amounts. The Foundation's permanently restricted net assets represents the value of all permanently restricted donor contributions received. From its inception in 1990 through September 30, 1997 and 1996, permanently restricted contributions received by the Trust Fund totaled $221,101 and $220,701 respectively.

In accordance with the terms of the Trust Declaration (agreement), the Foundation is permitted to use all Trust income for the benefit of the charitable and educational purposes of Foundation. Trust income represents the value of the Trust assets (including interest and dividends earned, realized and unrealized gains and losses on Trust Fund investments) in excess of the aggregate amount received as endowment donations. The Trust Declaration describes endowment donations as the aggregate fair market value (as of the contribution date) of all donations to the Trust Fund. As defined by the Declaration, this represents the amount of Trust Funds the Foundation cannot use or distribute.

As a matter of policy, the Foundation's Board further limits the use of Trust Fund investments to support current operations. The Board limits the amount applied to support current operations to only the interest and dividends earned on Trust Fund investments. Realized and unrealized gains on Trust Fund investments are retained in the Trust Fund. In the absence of donor-imposed restrictions limiting the availability of realized and unrealized gains on donated assets, all realized and unrealized gains on Trust Fund investments are considered unrestricted assets and reported in the Statements of Activities as investment earnings not applied to current operations. Realized and unrealized gains on Trust Fund investments for fiscal years 1997 and 1996 were $69,724 and $3,301, respectively. The interest and dividends earned on Trust Fund investments for fiscal years 1997 and 1996 were $12,688 and $11,325, respectively. The Foundation believes that interest and dividends on Trust Fund investments will continue indefinitely.

A reconciliation of investment earnings (returns) and contributions received to changes in the restricted and unrestricted portions of Trust Fund investments for fiscal years 1997 and 1996 is as follows.

Trust Fund Activity

	Permanently Restricted Trust Assets September 30,		Unrestricted Trust Assets September 30,	
	1997	1996	1997	1996
Investment Earnings, Net:				
Dividends and Interest earned on trust fund investments	-	-	12,688	11,325
Realized and Unrealized investment gains	-	-	69,724	3,301
Total investment earnings[a]	-	-	**82,412**	**14,626**
Investment Earnings applied to Current Operation	-	-	(12,688)	(11,325)
Investment earnings not applied to current operation	-	-	69,724	3,301
Return of capital withdrawal	-	-	-	7
Gifts available for investment	400	50,250		
Net Change in investment assets	**400**	**50,250**	**69,724**	**3,294**
Investments at beginning of the year	**220,701**	**170,451**	**22,750**	**19,456**
Investments at end of the year	**221,101**	**220,701**	**92,474**	**22,750**

[a]Total investment earnings are net of $968 in investment expenses for fiscal year 1997 and $1,790 for fiscal year 1996.

The relative concentration of total Trust Fund investments as of September 30, 1997 and 1996 are summarized as follows.

Description	Market Value at September 30, 1997	1996
Cash Fund	$ 2,361	$ 572
Equity Securities	183,433	117,667
U.S. Treasury Notes and Bonds	127,780	125,212
Total	**$313,574**	**$243,451**

Note 7. Escrowed Funds

The Foundation holds, as escrowed funds, certain amounts provided by selected State Congressional Award Councils. These funds are used, at the discretion of the State Council, to pay certain council-related expenses. As of September 30, 1997 and 1996, the funds held in escrow were $4,420 and $542 respectively.

Note 8. In-kind Contributions

During fiscal years 1997 and 1996, the Foundation received in-kind (noncash) contributions from donors, which are accounted for as contribution revenue and operating expenses in the Statements of Activities. These noncash contributions are as follows.

	1997	1996
Office space	-	$ 2,479
Professional services (legal)	30,000	25,000
Printing and photographic support	5,500	10,140
Supplies for fund-raising gala - beef	2,500	-
Equipment	-	1,180
Total In-kind Contributions	**$38,000**	**$38,799**

In addition, to support the Congressional Award Foundation without providing direct funding, the 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, provided that "The Board may benefit from in-kind and indirect resources provided by Offices of Members of Congress or the Congress." Resources so provided include use of office space, office furniture, and utilities (excluding telephone which is paid by the

Foundation). The cost of these resources cannot be readily determined and thus are not included in the financial statements.

Note 9. Release of Net Assets

Net assets released from donor restrictions result from either the incurrence of expenses that satisfy the donor-imposed restriction or the occurrence of other donor-specified events. As of September 30, 1997 and 1996, net assets released from restriction were as follows.

	1997	1996
Nevada Council development	$ 6,023	$ 8,073
Oklahoma Council development	-	63
South Bronx Project	5,000	5,000
DC Council development	2,321	-
South Dakota Council development	141	-
Board expenses	1,254	290
Contributor sponsored events	1,934	-
Total	**$16,673**	**$13,426**

Note 10. Temporarily Restricted Contribution

Temporarily restricted contributions received by purpose:

	1997	1996
Nevada Council development	$ 30	$ 679
South Dakota Council development	10,000	-
South Bronx Project	5,000	5,000
D.C. Council development	-	5,000
Board expenses	1,255	290
Contributor sponsored events	1,934	-
Total	**$18,219**	**$10,969**

Note 11. Employee Retirement Plan

For the benefit of its employees, the Foundation participates in a voluntary 403B tax-deferred annuity plan, which was activated on August 27, 1993. Under the plan, the Foundation is not required to make employer contributions to the plan and has made no such contributions.

Note 12. Related Party Activities

Due to its nature, the Foundation often receives contributions from members of the Congressional Award Board or other related parties. For example, during fiscal years 1997 and 1996, an ex-officio Director of the Board and an attorney provided pro bono legal services to the Foundation. The value of legal services has been included in the in-kind contributions and professional fees lines items (see note 8).

While not resulting in an in-kind contribution, a Director of the Board served as portfolio manager with the brokerage firm responsible for managing the Congressional Award Fellowship Trust account (see note 6) during fiscal years 1997 and 1996. An Investment Committee of the Board establishes investment guidelines and monitors the portfolio's performance.

Note 13. Concentration of Credit Risk--Cash

At September 30, 1997, the Foundation maintained its cash balance at a single financial institution. The Federal Deposit Insurance Corporation insures balances up to $100,000. The Foundation's bank balances at September 30, 1997 were $58,234 in excess of the insured amount. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 14. Expenses by Functional Classification

As permitted by SFAS No. 117, the Foundation has elected to present its operating expenses by natural classification in its Statements of Activities for the periods ending September 30, 1997 and 1996. To fully comply with requirements of SFAS No. 117 related to disclosure of expenses by functional classification for fiscal year 1997, the Foundation developed a technique for allocating its indirect expenses to program and support activities (functional classifications). As discussed in note 2.B, for fiscal year 1996, the Foundation's early implementation of SFAS No. 117 did not include a functional classification of its expenses. The Foundation was unable to present the expense disclosure because it had not done the necessary analysis to permit the allocation of indirect expenses for fiscal year 1996.

Presented below are the Foundation's expenses by functional classification for fiscal year 1997 as required by SFAS No. 117. The expenses include both direct and allocated indirect expenses by functional classification.

Fiscal Year 1997 Expenses by Functional Classification

	Percent	Amount
Program activities	50	$309,207
Fund-raising activities	34	206,776
Administrative activities	16	101,046
Total expenses	**100**	**$617,029**

Note 15. Refundable Advances

During fiscal year 1997, the Foundation received $15,500 in advance contributions specified for participation in a fiscal year 1998 fund-raising event. Because the event is conditional on good weather, revenue will be recognized in fiscal year 1998 when the event occurs.

Note 16. Impact of Restatements

As discussed in note 2.B, during fiscal year 1997, the Foundation implemented SFAS Nos. 117 and 124. As a result, the beginning balance of unrestricted and permanently restricted net assets for fiscal year 1996 and the previously issued fiscal year 1996 financial statements have been restated to reflect the retroactive application of the new accounting standards. The effect of these restatements are presented below.

Restatement of beginning net asset balances	Amount as reported	Adjustments	Amounts as reported
Unrestricted assets	$ 49,037	$19,456	$ 68,493
Temporarily-restricted assets	53,659	0	53,659
Permanently-restricted assets	189,907	(19,456)	170,451
Total beginning net assets	**$292,603**	**0**	**$292,603**

The effect of the retroactive restatement has been to reclassify a total of $19,456 of permanently restricted net assets applicable to prior periods to unrestricted net assets as of the beginning of fiscal year 1996 (see note 6). The reclassification results from the recognition that realized and unrealized gains on Trust Fund investments did not qualify as permanently restricted net assets under new accounting standards.

In addition, the amount reported as a "decrease in unrestricted net assets" in previously issued fiscal year 1996 financial statements has been reduced to reflect the addition of the unrealized gain ($3,301) on the value of the restated unrestricted portion of Trust Fund investments that had not previously been considered part of changes in unrestricted net assets. Correspondingly, the previously reported "Increase in permanently restricted net assets" has been reduced by an offsetting amount to remove the "restricted-unrealized gain due to market changes in Trust investments" as a component of "change in permanently restricted Net Assets." Collectively, these changes increase the previously reported unrestricted net assets and decrease, by an equal amount, the previously reported increase in permanently restricted net assets for fiscal year 1996.

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