

GAO

Report to the Chairman of the Board,
Congressional Award Foundation

May 2010

FINANCIAL AUDIT

Congressional Award
Foundation's Fiscal
Years 2009 and 2008
Financial Statements



Contents

Letter	1
Auditor's Report	3
Opinion on Financial Statements	3
Consideration of Internal Control	4
Compliance with Laws and Regulations	6
Objectives, Scope, and Methodology	6
Foundation's Comments	8
Financial Statements	9
Statements of Financial Position	9
Statements of Activities	10
Statements of Cash Flows	11
Notes to Financial Statements	12
Appendix	
Appendix I: Comments from the Congressional Award Foundation	19

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United States Government Accountability Office
Washington, D.C. 20548

May 14, 2010

Mr. Paxton K. Baker
Chairman of the Board
Congressional Award Foundation

Dear Mr. Baker:

This report presents our opinion on the financial statements of the Congressional Award Foundation (the Foundation) for the fiscal years ended September 30, 2009, and 2008. These financial statements are the responsibility of the Foundation. This report also presents the results of our consideration of the Foundation's related internal control. We identified a material internal control weakness in the Foundation's financial reporting process that resulted in material misstatements in the draft financial statements that management did not detect during the financial statement preparation and review process for fiscal year 2009. As described in our report, we identified errors during our audit and brought them to management's attention. In response, management made material adjustments (corrections) that are reflected in the accompanying financial statements. In addition, this report presents the results of our tests of the Foundation's compliance during fiscal year 2009 with selected provisions of laws and regulations. We conducted our audit pursuant to section 107 of the Congressional Award Act, as amended (2 U.S.C. § 807), and in accordance with U.S. generally accepted government auditing standards.

If you or your office have any questions concerning this report, please contact me at (202) 512-3406 or sebastians@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Julie Phillips, Assistant Director; Edmund Fernandez; Sophie Simonard-Norman; and Bethany Smith.

Sincerely yours,

Steven J. Sebastian
Director
Financial Management and Assurance



United States Government Accountability Office
Washington, D.C. 20548

Mr. Paxton K. Baker
Chairman of the Board
Congressional Award Foundation

We have audited the accompanying statements of financial position of the Congressional Award Foundation (the Foundation) as of September 30, 2009, and 2008, and the related statements of activities and statements of cash flows for the years then ended. Overall, we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- a material weakness¹ in the Foundation's internal control over financial reporting; and
- no reportable instances of noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions; (2) our audit objectives, scope, and methodology; and (3) the Foundation's comments and our evaluation.

Opinion on Financial Statements

The financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Foundation's assets, liabilities, and net assets as of September 30, 2009, and 2008, and the results of its activities and its cash flows for the years then ended.

However, misstatements may occur in other financial information reported by the Foundation and not be detected or corrected as a result of the material weakness in internal control described in this report.

¹A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Consideration of Internal Control

In planning and performing our audit of the Foundation's fiscal year 2009 financial statements, we considered the Foundation's internal control over financial reporting for the purpose of determining our procedures for auditing the financial statements, not to express an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the Foundation's internal control over financial reporting.

However, during our audit of the Foundation's fiscal year 2009 financial statements, we identified a material weakness in the Foundation's internal control over financial reporting. Specifically, we found that the Foundation lacked sufficient and appropriate policies, procedures, and resources to prepare the financial statements and accompanying notes accurately, completely, and in accordance with U.S. generally accepted accounting principles. This resulted in the need for material adjustments in finalizing the Foundation's fiscal year 2009 financial statements to achieve a fair presentation.

In the draft financial statements prepared by the Foundation, total operating revenues and other support were overstated by nearly \$89,000, and total operating expenses were overstated by nearly \$49,000. This, in turn, resulted in the Foundation overstating its net assets by over \$40,000. These errors also resulted in material inaccuracies in the draft notes accompanying the financial statements. After we identified these misstatements, the Foundation recorded adjustments to correct these errors in finalizing its financial statements and accompanying notes.

For example, in the draft financial statements:

- The Foundation incorrectly recognized contribution revenues of over \$81,000 and associated expenses of nearly \$37,000 for a fund-raising event that was held in fiscal year 2010. The contribution revenue associated with this fund-raising event, although promised in fiscal year 2009, should have been recognized in fiscal year 2010 because the contributions were conditional upon the fund-raising event taking place. Similarly, the expenses associated with the event should also have been recognized in fiscal year 2010.
- The Foundation incorrectly accounted for certain in-kind contributions. For example, in fiscal year 2009, the Foundation recorded an in-kind contribution for professional legal services of over \$9,800, of which only about \$550 related to fiscal year 2009. Additionally, we found a \$20,000

in-kind contribution for donated legal services for the second half of fiscal year 2009 that was not recorded.

- The Foundation made other erroneous entries, or failed to record appropriate entries, affecting reported expense, revenue, and cash accounts for fiscal year 2009, which required numerous additional adjusting entries. For example, the Foundation did not record an expense for professional services at year-end, even though it had received the services and the related invoice of over \$3,000 in September 2009. In another example, while the Foundation properly accrued (unpaid) expenses in accounts payable totaling over \$3,400 at the end of fiscal year 2008, the Foundation incorrectly recorded the payment of these expenses in fiscal year 2009 by increasing expenses instead of decreasing accounts payable. As a result, both accounts payable and operating expenses were overstated by this amount at the end of fiscal year 2009. We also found three checks totaling over \$2,000 that the Foundation recorded as disbursements, even though the Foundation had not disbursed the checks to the recipients because the amounts were no longer due. As a result, the Foundation's reported expenses were overstated and its cash balance was understated by over \$2,000 at September 30, 2009.

*Standards for Internal Control in the Federal Government*² requires the accurate and timely recording of transactions and events. This includes determining the appropriate fiscal year in which assets, liabilities, revenues, and expenses are recognized under U.S. generally accepted accounting principles (GAAP). Additionally, the standards require that transactions be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. Consequently, entities should have sufficient and appropriate policies, procedures, and resources to initiate, authorize, record, process, and report entity transactions in conformity with GAAP, as well as to perform a management review of the financial statements to identify and correct misstatements. However, the Foundation lacked sufficient and appropriate policies, procedures, and resources to provide management with reasonable assurance that financial activities of the Foundation in fiscal year 2009 were reported completely, accurately, and in conformity with GAAP. In addition, the Foundation did not have an effective management

²GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

review process to detect and correct misstatements to the financial statements and inaccuracies in the notes accompanying the statements.

The material weakness in internal control may adversely affect any decision by Foundation management that is based, in whole or in part, on information that is inaccurate because of the material weakness. In addition, unaudited financial information reported by the Foundation may also contain misstatements resulting from this material weakness.

Our audit would not necessarily disclose all deficiencies in internal control that might be material weaknesses or significant deficiencies.³ We considered the Foundation's material weakness in determining the nature, timing, and extent of our audit procedures on the financial statements and forming our conclusions.

We will be reporting additional details concerning the material weakness separately to Foundation management, along with recommendations for corrective action. Additionally, we identified other deficiencies in the Foundation's internal control that we do not consider to be material weaknesses or significant deficiencies, but which merit Foundation management's attention and correction. We have communicated these matters to Foundation management informally and, as appropriate, will also be reporting separately to Foundation management on these matters.

Compliance with Laws and Regulations

Our tests of the Foundation's compliance with selected provisions of laws and regulations for fiscal year 2009 disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards. 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 annual financial statements in conformity with U.S. generally accepted accounting principles, establishing and maintaining the Foundation's internal control

³ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

to provide reasonable assurance that the Foundation's control objectives established in *Standards for Internal Control in the Federal Government* are met, and complying with applicable laws and regulations.

We are responsible for planning and performing our audit to obtain reasonable assurance and provide our opinion about whether the Foundation's financial statements are presented fairly, in all material respects, in conformity with GAAP. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit and (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements.

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 Foundation management;
- evaluated the overall presentation of the financial statements and notes;
- obtained an understanding of the Foundation and its operations, including its internal control over financial reporting;
- assessed the risk that a material misstatement exists in the financial statements;
- tested relevant internal controls for the purposes of planning and performing our other audit procedures;
- tested compliance with selected provisions of the Congressional Award Act, as amended; and
- performed such other procedures as we considered necessary in the circumstances.

Internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit

the preparation of financial statements in conformity with GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition and (2) transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements.

We did not evaluate internal controls relevant to operating objectives, such as controls relevant to ensuring efficient operations. We limited our internal control testing to controls over financial reporting. Because of inherent limitations, internal control may not prevent or detect and correct misstatements due to error or fraud, losses, or noncompliance.

We did not test compliance with all laws and regulations applicable to the Foundation. We limited our tests of compliance to those provisions of laws and regulations that have a direct and material effect on the Foundation's financial statements for the fiscal year ended September 30, 2009. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards. We believe our audit provides a reasonable basis for our opinion and other conclusions.

Foundation's Comments

In commenting on a draft of this report, the Foundation stated that it will establish appropriate policies and procedures to ensure that all revenue and expenses are recorded in the proper period, especially in the case of any future events that are delayed to the next fiscal year.

A complete text of the Foundation's comments is reprinted in appendix I.



Steven J. Sebastian
Director
Financial Management and Assurance

May 11, 2010

Financial Statements

Statements of Financial Position

The Congressional Award Foundation
Statements of Financial Position
As of September 30, 2009, and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash	\$ 97,835	\$ 120,691
Contributions receivable (note 3)	96,800	137,400
Accounts receivable	9,531	9,820
Prepaid expense	13,181	4,073
Donated auction items	1,840	-
Equipment, furniture, and fixtures, net (note 4)	<u>14,649</u>	<u>21,812</u>
Total assets	<u>\$ 233,836</u>	<u>\$ 293,796</u>
Liabilities and net assets		
Accounts payable	\$ 13,242	\$ 5,764
Accrued payroll, related taxes, and leave	15,482	14,170
Refundable advance	26,364	-
Deferred revenue	2,976	-
Capital lease liability (note 5)	<u>9,353</u>	<u>14,266</u>
Total liabilities	<u>67,417</u>	<u>34,200</u>
Net assets		
Unrestricted	147,372	239,630
Temporarily restricted (note 6)	<u>19,047</u>	<u>19,966</u>
Total net assets	<u>166,419</u>	<u>259,596</u>
Total liabilities and net assets	<u>\$ 233,836</u>	<u>\$ 293,796</u>

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

Statements of Activities

The Congressional Award Foundation
 Statements of Activities
 For the Fiscal Years Ended September 30, 2009, and 2008

	<u>2009</u>	<u>2008</u>
Changes in unrestricted net assets:		
Operating revenue and other support		
Contributions	\$ 434,049	\$ 619,316
Contributions - In-kind (note 7)	71,757	89,989
Program and other revenues	239,105	246,486
Interest and dividends	-	1,420
Net assets released from restrictions (note 6)	919	2,792
Total operating revenue and other support	<u>745,830</u>	<u>960,003</u>
Operating expenses (note 8)		
Salaries, benefits, and payroll taxes	397,189	349,140
Program, promotion, and travel	14,161	49,454
Fund-raising expense	89,535	127,642
Costs of direct benefit to donors	22,638	13,135
Gold Award ceremony	170,835	142,134
Professional fees	76,620	63,635
Depreciation and amortization	7,165	7,543
Board of Directors expense	1,259	-
Administrative and other expense	58,686	69,896
Total operating expenses	<u>838,088</u>	<u>822,579</u>
Subtotal	(92,258)	137,424
Other changes		
Net realized investment gains (note 10)	-	149
Increase/(decrease) in unrestricted net assets	<u>(92,258)</u>	<u>137,573</u>
Changes in temporarily restricted net assets:		
Net assets released from restrictions (note 6)	(919)	(2,792)
Decrease in temporarily restricted net assets	<u>(919)</u>	<u>(2,792)</u>
Increase/(decrease) in net assets	(93,177)	134,781
Net assets at beginning of year	259,596	124,815
Net assets at end of year	<u>\$ 166,419</u>	<u>\$ 259,596</u>

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

Statements of Cash Flows

The Congressional Award Foundation
 Statements of Cash Flows
 For the Fiscal Years Ended September 30, 2009, and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (93,177)	\$ 134,781
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	7,165	7,543
Net realized gains on sale of investments (note 10)	-	(149)
Change in operating assets:		
Contributions receivable	40,600	(4,800)
Accounts receivable	289	(9,820)
Prepaid expenses	(9,108)	(1,471)
Donated auction items	(1,840)	-
Change in operating liabilities:		
Accounts payable	7,478	(8,898)
Line of credit note payable (note 11)	-	(100,000)
Accrued payroll, related taxes, and leave	1,312	6,740
Refundable advance	26,364	-
Deferred revenue	2,976	-
Liability for tax penalty and interest (note 12)	-	(3,317)
Net cash provided/(used) in operating activities	<u>(17,941)</u>	<u>20,609</u>
Cash flows from investing activities:		
Proceeds from certificate of deposit (note 11)	-	59,610
Net proceeds from sale of investments (note 10)	-	29,267
Net cash provided by investing activities	<u>-</u>	<u>88,877</u>
Cash flows from financing activities:		
Principal payments under capital lease obligation (note 5)	(4,915)	(4,068)
Repayment of loans	-	(664)
Net cash provided by financing activities	<u>(4,915)</u>	<u>(4,732)</u>
Net increase in cash	(22,856)	104,754
Cash, beginning of year	<u>120,691</u>	<u>15,937</u>
Cash, end of year	<u>\$ 97,835</u>	<u>\$ 120,691</u>
Supplemental data:		
Cash paid during year for interest	<u>\$ -</u>	<u>\$ 7,239</u>

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

Notes to Financial Statements

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2009, and 2008

Note 1. Organization

The Congressional Award Foundation (the 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 Code established to promote initiative, achievement, and excellence among young people in the areas of public service, personal development, physical fitness, and expedition. New program participants totaled over 3,900 in fiscal year 2009. During fiscal year 2009, there were approximately 27,700 participants registered in the Foundation's award program. Public Law 109-143, enacted in December 2005, reauthorized the Foundation through September 30, 2009 (see note 14).

Note 2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles applicable to not-for-profit organizations.

B. Contributions Receivable

Unconditional promises to give are recorded as revenue when the promises are made. Conditional promises to give are recorded as revenue when the conditions on which the promises have been made are substantially met. Contributions receivable to be collected within less than 1 year are measured at net realizable value. The Foundation expects to receive all of the contributions receivable within 1 year.

C. Equipment, Furniture, and Fixtures and Related Depreciation

The Foundation capitalizes equipment, furniture, and fixtures with an individual asset acquisition cost of more than \$2,500. Assets are stated at cost, and depreciation is computed using the straight-line method over estimated useful lives of 5 to 10 years. Expenditures for major additions and betterments are capitalized and expenditures for maintenance and repairs are charged to expense when incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense, as appropriate. Donated equipment is recorded at fair value.

The capital lease liability represents the lesser of the net present value of future lease payments or the fair value of the asset acquired. Amortization of the capital lease is included in depreciation expense.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2009, and 2008

D. Classification of Net Assets

The net assets of the Foundation are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that is available for the general support of the Foundation.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for specific programs or future periods.

The Foundation has no permanently restricted net assets.

E. Revenue Recognition

Contribution revenue is recognized when received or promised and recorded as temporarily restricted if the funds are received with donor or grantor stipulations that limit the use of the donated assets to a particular purpose or for specific periods. When a stipulated time restriction ends or purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Deferred revenue, equal to the fair value of a ticket to a fund-raising event, is recorded for amounts received during the current fiscal year to be used during the next fiscal year. Once the event takes place, these amounts are reported as costs of direct benefit to donors reported in the Statements of Activities. The contribution portion paid, in excess of the fair value of the ticket to the fund-raising event, is recorded as a refundable advance for funds received the fiscal year before the event takes place. After the event takes place, the refundable advances are recorded as contributions.

F. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis as described in note 8. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

G. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2009, and 2008

Note 3. Contributions Receivable

At September 30, 2009, and 2008, contributions receivable totaled \$96,800 and \$137,400, respectively, none of which were temporarily restricted by the donors. All amounts were due within 1 year. All but \$29,500 of the \$96,800 receivable at September 30, 2009, was received by April 28, 2010.

Note 4. Equipment, Furniture, and Fixtures

Equipment, furniture, and fixtures as of September 30, 2009, and 2008, are shown in the schedule below.

	<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>
Computer software	\$25,868	\$25,868
Equipment - capital lease (note 5)	20,129	20,129
Furniture and equipment	76,576	76,576
Contributed equipment	15,100	15,100
Accumulated depreciation	(113,477)	(110,339)
Accumulated amortization - capital lease	<u>(9,547)</u>	<u>(5,522)</u>
Equipment, furniture, and fixtures, net	<u>\$14,649</u>	<u>\$21,812</u>

Equipment under capital lease is pledged as collateral under the terms of the lease agreements.

Note 5. Capital Lease Liability

During fiscal year 2007, the Foundation entered into a capital lease for new computer equipment for \$20,129 (see note 4).

The following is a schedule (by fiscal year) of future minimum lease payments under capital leases together with the present value of the net minimum lease payments for the 2-year period remaining, net of interest, as of September 30, 2009.

Years ending September 30:	
2010	6,973
2011	<u>3,886</u>
Total minimum lease payments	10,859
Less: amount representing interest	<u>(1,506)</u>
Present value of net minimum lease payments	<u>\$9,353</u>

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2009, and 2008

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, 2009, and 2008, were available for the following programs and future periods:

	<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>
Puerto Rico Council development	\$14,893	\$15,024
Nevada Council development	4,154	4,942
Total net assets temporarily restricted for use	<u>\$19,047</u>	<u>\$19,966</u>

Net assets released from restrictions during the years ended September 30, 2009, and 2008, were as follows:

	<u>2009</u>	<u>2008</u>
Puerto Rico Council development	\$131	\$1,214
Nevada Council development	788	1,578
Total temporarily restricted net assets released for use	<u>\$919</u>	<u>\$2,792</u>

Note 7. In-kind Contributions

During fiscal years 2009 and 2008, the Foundation received in-kind (noncash) contributions from donors. In-kind contributions are accounted for as contribution revenue and as current period operating expenses, in the period goods and services are provided.

The values of the in-kind contributions recognized were \$71,757 and \$89,989 for fiscal years 2009 and 2008, respectively. There were no in-kind contributions related to Web site design in fiscal year 2009. These noncash contributions are as follows.

	<u>2009</u>	<u>2008</u>
Professional services:		
Legal	\$35,548	\$30,000
Tax preparation services	500	0
Web site	0	10,000
Donations relating to fund-raising	29,731	33,260
Donations relating to program	<u>5,978</u>	<u>16,729</u>
Total in-kind contributions	<u>\$71,757</u>	<u>\$89,989</u>

During fiscal years 2009 and 2008, the Foundation employed the services of unpaid interns. However, amounts for the intern services are not included in these financial statements because the value of the services is not readily determinable.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2009, and 2008

In addition, Section 106(e) of the Congressional Award Act, as amended, provides that "the Board may benefit from in-kind and indirect resources provided by the Offices of Members of Congress or the Congress." Resources so provided include use of office space, office furniture, and certain utilities. In addition, section 102 of the Congressional Award Act, as amended, provides that the United States Mint may charge the United States Mint Public Enterprise Fund for the cost of striking Congressional Award Medals. The costs of these resources cannot be readily determined and, thus, are not included in the financial statements.

Note 8. Expenses by Functional Classification

The Foundation has presented its operating expenses by natural classification in the accompanying Statements of Activities for the fiscal years ending September 30, 2009, and 2008. Presented below are the Foundation's expenses by functional classification for the fiscal years ended September 30, 2009, and 2008.

	<u>2009</u>	<u>2008</u>
Program activities	\$521,312	\$536,844
Fund-raising activities	142,369	152,879
Costs of direct benefit to donors	22,638	13,135
Administrative activities	<u>151,769</u>	<u>119,721</u>
Total	<u>\$838,088</u>	<u>\$822,579</u>

Note 9. Employee Retirement Plan

For the benefit of its employees, the Foundation participates in a voluntary 403(b) tax-deferred annuity plan, which was activated on August 27, 1993. Under the plan, the Foundation may, but is not required to, make employer contributions to the plan. There were no contributions to the plan in fiscal years 2009 and 2008.

Note 10. Congressional Award Fellowship Trust

The trust was established in 1990 to benefit the charitable and educational purposes of the Foundation. In October 2007, the Board of Directors of the Foundation requested that the trustees of the Congressional Award Trust approve distribution of the assets of the trust to the Foundation, approved termination of the trust, and directed that the assets of the trust (together with a certificate of deposit and other funds) be used for repayment of the Foundation's line of credit (see note 11). The trustees approved distribution of the assets of the trust, and in November 2007, the Foundation received such assets and the trust was terminated.

The trust investments at the beginning of fiscal year 2008 were \$29,118. In fiscal year 2008, the investment gains of the trust were \$149. During the fiscal year ended September 30, 2008, the trustees authorized the use of \$29,267 of the trust fund to support fiscal year 2008 operations. The trust balance at September 30, 2008 was \$0.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2009, and 2008

Note 11. Line of Credit

During fiscal year 2008, the Foundation had a \$100,000 revolving line of credit with its bank that bore interest at the *Wall Street Journal* prime rate plus 2 percent. Interest paid on this line of credit during fiscal year 2008 was \$4,145. The line of credit was partially secured by the Foundation's investment in a certificate of deposit held by the same bank. In February 2008, the proceeds from the certificate of deposit of \$59,610 were used to pay down the original \$100,000 line of credit. In May 2008, the remaining balance on the \$100,000 line of credit was paid in its entirety.

In February 2008, the Foundation negotiated a new line of credit for \$50,000 that bore interest at prime plus 2 percent and was secured by a lien on all business assets. This line of credit was canceled on September 29, 2009.

Note 12. Tax Penalty and Interest

The Foundation incurred penalties and interest for filing its annual Internal Revenue Service Form 990 information return for fiscal year 2005 after its due date. On March 18, 2008, the Foundation paid \$3,317 in penalties (plus interest).

For fiscal year 2008, there were no outstanding taxes payable or other issues as they relate to the filing of Form 990 informational return. For fiscal year 2009, the Foundation requested and received an extension for filing its fiscal year 2009 Form 990 informational return.

Note 13. Related Party Activities

The Foundation engaged in numerous transactions with related parties during fiscal years 2009 and 2008.

During fiscal years 2009 and 2008, the Foundation had an agreement with a professional fund-raiser. The professional fund-raiser's spouse is on the Board of Directors of the Foundation. Disbursements by the Foundation during fiscal years 2009 and 2008 to the related party totaled \$18,000 and \$18,000, respectively.

During fiscal years 2009 and 2008, the Controller, through his professional tax business, prepared the Foundation's annual Internal Revenue Service Form 990 informational returns. His firm was compensated \$1,500 and \$900 during fiscal years 2009 and 2008, respectively.

During fiscal years 2009 and 2008, the National Director utilized her credit card to purchase items for the Foundation. All amounts paid by the National Director were reimbursed.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2009, and 2008

The following in-kind contributions were made by related parties and are included in note 7:

- During fiscal years 2009 and 2008, an ex officio director of the board provided pro bono legal services to the Foundation. The values for fiscal years 2009 and 2008 were \$35,548 and \$30,000, respectively.
- During fiscal year 2009, the Controller, through his professional tax business, provided donated services of \$500.
- During fiscal year 2008, a board member, through his company, provided services relating to the annual poker tournament. The value for fiscal year 2008 was \$3,700. The Foundation did not hold a poker tournament during fiscal year 2009.
- During fiscal years 2009 and 2008, a board member did not request reimbursement of expenses for participants to attend Mississippi and Washington, D.C., ceremonies. The values for fiscal years 2009 and 2008 were \$2,900 and \$2,950, respectively.
- During fiscal years 2009 and 2008, a board member, through his company, provided filming of the Gold Award Ceremony. The values for fiscal years 2009 and 2008 were \$3,079 and \$8,000, respectively.
- During fiscal year 2008, a board member did not request reimbursement of expenses for transportation costs to assist with Foundation events in Washington, D.C., and Pennsylvania, the value of which was \$1,049.

Note 14. Subsequent Events

On March 17, 2010, a bill reauthorizing the Congressional Award Program through October 1, 2013 (S. 2865), passed the U.S. Senate without amendment by unanimous consent. The bill was referred to the House Committee on Education and Labor on March 18, 2010.

The Foundation holds an annual poker tournament as a fund-raising event. Because of a scheduling conflict, the Fourth Annual Congressional Award Charity Poker Tournament scheduled for July 2009 was rescheduled for October 14, 2009, which moved it 2 weeks into fiscal year 2010. At September 30, 2009, the Foundation had \$54,000 in conditional promises from donors to attend the event. In addition, in fiscal year 2009, the Foundation received \$27,500 in cash donations for the event. These amounts, along with cash donations received at the event, will be recorded as contribution revenues in fiscal year 2010. The Foundation will also recognize all of the expenses related to this event in fiscal year 2010.

Comments from the Congressional Award Foundation



Public Law 96-114, The Congressional Award Act

Congressional Award

May 10, 2010

Mr. Gene Dodaro
Acting Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548


Dear Mr. Dodaro:

This letter is in response to your audit report of the Congressional Award Foundation's statements of financial position as of September 30, 2009 and 2008.

The Foundation will establish appropriate policies and procedures to ensure all revenue and expenses are recorded in the proper period, especially in the case of any future events which are delayed to the next fiscal year.

As explained in Note 14 to the financial statements, because the poker event was delayed two-weeks into fiscal 2010, all amounts were reversed from 2009 and recorded in fiscal 2010.

Sincerely,


Daniel Scherder
Treasurer


Erica Wheelan Heyse
National Director

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