

May 2000

FINANCIAL AUDIT

Congressional Award  
Foundation's 1999 and  
1998 Financial  
Statements





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

Accounting and Information  
Management Division

B-285243

May 15, 2000

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, 1999 and 1998. These financial statements are the responsibility of the Congressional Award Foundation. This report also presents (1) our opinion on the effectiveness of the Foundation's related internal control as of September 30, 1999, and (2) our conclusion on the Foundation's compliance in fiscal year 1999 with selected provisions of laws and regulations we tested. We conducted our audit 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 Senator Fred Thompson, Chairman, and Senator Joseph I. Lieberman, Ranking Minority Member, Senate Committee on Governmental Affairs; Representative William Goodling, Chairman, and Representative William Clay, Ranking Minority Member, House Committee on Education and the Workforce; Mr. Thomas D. Campbell, Chairman, National Board of Directors, Congressional Award Program; Mr. James F. Manning, National Director, Congressional Award Foundation; and other interested parties.

Linda M. Calbom  
Director



B-285243

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, 1999 and 1998, and the related statements of activities and cash flows for the fiscal years then ended. We found that

- the financial statements are presented fairly in conformity with generally accepted accounting principles,
- the Foundation had effective internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations as of September 30, 1999, and
- no reportable noncompliance in fiscal year 1999 with selected provisions of laws and regulations we tested.

The following sections discuss, in more detail, our conclusions and the scope of our audit.

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## Opinion on Financial Statements

The financial statements and accompanying notes present fairly, in all material respects, in conformity with generally accepted accounting principles, the Foundation's financial position as of September 30, 1999 and 1998, and the results of its activities and cash flows for the fiscal years then ended.

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## Opinion on Internal Control

The Foundation maintained, in all material respects, effective internal control over financial reporting and compliance as of September 30, 1999, that provided reasonable assurance that misstatements, losses, or noncompliance, material in relation to the financial statements, would be prevented or detected on a timely basis. Management asserted that its internal control was effective based on 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*.

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We found matters involving internal control that we do not consider to be reportable conditions.<sup>1</sup> We will communicate these matters separately to the Foundation's management, along with our suggestions for improvement.

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## 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.

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## Objectives, Scope, and Methodology

The Foundation's management is responsible for

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

We are responsible for obtaining reasonable assurance about whether (1) the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles and (2) management maintained effective related internal control, the objectives of which are

- financial reporting – transactions are properly recorded, processed, and summarized to permit the preparation of financial statements for the fiscal year ended September 30, 1999, in conformity with generally accepted accounting principles and assets are safeguarded against loss from unauthorized acquisition, use, or disposition and
- compliance with laws and regulations – transactions are executed in accordance with management's authority and with laws and regulations that could have a direct and material effect on the financial statements.

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<sup>1</sup>Reportable conditions are matters coming to our attention that, in our judgment, should be communicated because they represent significant deficiencies in the design or operation of internal control that could adversely affect an organization's ability to meet the objectives of reliable financial reporting and compliance with applicable laws and regulations.

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We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the principal 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 the Foundation's management;
- evaluated the overall presentation of the financial statements;
- obtained an understanding of the Foundation's internal control related to financial reporting (including safeguarding assets) and compliance with laws and regulations;
- tested relevant internal control over financial reporting (including safeguarding of assets) and compliance and evaluated the design and operating effectiveness of internal control; and
- tested compliance with selected provisions of the Congressional Award Act, as amended.

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 relevant controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting the results of our tests of internal control 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 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 we deemed to have a direct and material effect on the financial statements for the fiscal year ended September 30, 1999. We caution that noncompliance may occur and not be detected by our tests and that such testing may not be sufficient for other purposes.

We did our work in accordance with generally accepted government auditing standards.

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**Foundation's  
Comments**

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.



Linda M. Calbon  
Director

April 14, 2000

# Financial Statements

## Statements of Financial Position

The Congressional Award Foundation  
Statements of Financial Position

	<u>September 30,</u> <u>1999</u>	<u>As of</u> <u>September 30,</u> <u>1998</u>
<b>Assets</b>		
Cash and cash equivalents (note 3)	\$343,784	\$126,052
Contributions receivable, net (note 4)	77,800	29,100
Accounts receivable, net (note 5)	2,423	2,915
Prepaid expenses	4,349	4,304
Congressional Award Fellowship Trust (note 6)	427,885	351,112
Equipment, furniture and fixtures, net (note 2)	78,468	15,552
Escrowed funds from councils, net (note 7)	<u>5,145</u>	<u>1,111</u>
<b>Total assets</b>	<b><u>\$939,854</u></b>	<b><u>\$530,146</u></b>
<b>Liabilities and Net Assets</b>		
Accounts payable	\$47,560	\$7,187
Accrued payroll and related taxes	14,479	8,958
Refundable advances (note 15)	-	50
Capital lease	11,885	-
Escrowed funds due councils, net (note 7)	<u>5,145</u>	<u>1,111</u>
<b>Total liabilities</b>	<b><u>\$79,069</u></b>	<b><u>\$17,306</u></b>
<b>Net Assets</b>		
Unrestricted	\$491,742	\$201,573
Temporarily restricted	104,936	48,210
Permanently restricted	<u>264,107</u>	<u>263,057</u>
<b>Total net assets</b>	<b><u>\$860,785</u></b>	<b><u>\$512,840</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$939,854</u></b>	<b><u>\$530,146</u></b>

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

Financial Statements

Statements of Activities

The Congressional Award Foundation  
Statements of Activities

	<u>Fiscal years ended</u>	
	<u>September 30,</u>	<u>September 30,</u>
	<u>1999</u>	<u>1998</u>
<b>Changes in Unrestricted Net Assets:</b>		
<u>Operating revenue and other support</u>		
Contributions	\$1,043,125	\$724,924
Contributions - in kind (note 8)	106,002	84,761
Program and other revenues	33,682	32,187
Interest and dividends applied to current operations	18,417	17,341
Net assets released from restrictions (note 9)	<u>24,774</u>	<u>35,577</u>
<b>Total operating revenue and other support</b>	<b>\$1,226,000</b>	<b>\$894,790</b>
<u>Operating expenses</u>		
Salaries, benefits, and payroll taxes	\$409,113	\$344,385
Program, promotion, and travel	119,076	177,197
Fund-raising expenses	331,018	282,426
Gold Award ceremony	34,460	54,484
Professional fees	91,950	60,092
Depreciation	7,200	5,821
Administrative and other expense	12,719	8,887
Bad debt expense	520	1,230
Loss on sale of assets	<u>5,498</u>	<u>-</u>
<b>Total operating expenses</b>	<b>\$1,011,554</b>	<b>\$934,522</b>
<u>Other changes</u>		
Investment earnings (losses) not applied to current operations	\$75,723	\$(4,418)
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$290,169</b>	<b>\$(44,150)</b>
<b>Changes in Temporarily Restricted Net Assets:</b>		
Contributions (note 10)	\$81,500	\$31,040
Net assets released from restrictions	<u>(24,774)</u>	<u>(35,577)</u>
<b>Increase (decrease) in temporarily restricted net assets</b>	<b>\$56,726</b>	<b>\$(4,537)</b>
<b>Changes in Permanently Restricted Net Assets:</b>		
Contributions	<u>\$ 1,050</u>	<u>\$41,956</u>
<b>Increase in permanently restricted net assets</b>	<b>\$1,050</b>	<b>\$41,956</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$347,945</b>	<b>\$(6,731)</b>
Net Assets at Beginning of Year	<u>\$512,840</u>	<u>\$519,571</u>
<b>Net Assets at End of Year</b>	<b><u>\$860,785</u></b>	<b><u>\$512,840</u></b>

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

**Financial Statements**

**Statements of Cash Flows**

The Congressional Award Foundation  
Statements of Cash Flows

	<u>Fiscal years ended</u>	
	<u>September 30,</u>	<u>September 30,</u>
	<u>1999</u>	<u>1998</u>
<b>Cash Flows From Operating Activities:</b>		
Contributions received	\$1,075,925	\$752,614
Refundable advances	-	50
Cash received from councils and independents	33,604	37,100
Interest and dividends received	18,417	17,341
Cash paid to employees	(330,600)	(277,412)
Cash paid to vendors	<u>(532,985)</u>	<u>(547,487)</u>
<b>Net Cash Used/Provided From Operating Activities</b>	<b>\$264,361</b>	<b>\$(17,794)</b>
<b>Cash flows from investing activities:</b>		
Purchase of equipment	(46,338)	-
Proceeds from sale of assets	354	-
<b>Cash flows from financing activities:</b>		
Payments on capital lease	<u>(645)</u>	<u>-</u>
Net increase (decrease) in cash	\$217,732	\$(17,794)
Cash at beginning of year	<u>126,052</u>	<u>143,846</u>
<b>Cash at end of year</b>	<b><u>\$343,784</u></b>	<b><u>\$126,052</u></b>
 <b>Reconciliation of Change in Net Assets to Net Cash Used/Provided From Operating Activities</b>		
Change in net assets	\$347,945	\$(6,731)
Adjustments to reconcile change in net assets to net cash used/provided from operating activities:		
Investment earnings (losses) not applied to operations	(75,723)	4,418
Depreciation expense	7,200	5,821
Bad debt expense	520	1,230
Loss on sale of assets	5,498	-
Donated fixed assets	(17,100)	-
Restricted trust fund contributions	(1,050)	(41,956)
Decrease (increase) in contributions receivable	(48,700)	12,150
Decrease (increase) in other accounts receivable	(28)	4,912
Decrease (increase) in prepaid expenses	(45)	23,567
Increase (decrease) in accounts payable	40,373	(5,281)
Increase (decrease) in accrued payroll and related taxes	5,521	(474)
Increase (decrease) in refundable advances	<u>(50)</u>	<u>(15,450)</u>
<b>Net Cash Used/Provided From Operating Activities</b>	<b><u>\$264,361</u></b>	<b><u>\$(17,794)</u></b>

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, 1999 and 1998

**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 October 1999, the President signed Public Law 106-63, Section 1(d) of which reauthorized the Congressional Award Foundation through September 30, 2004.

**Note 2. Summary of Significant Accounting Policies**

**A. Basis of Accounting**

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

**C. Contributions and Revenue Recognition**

The Foundation records as contributions 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 contributions 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.

**D. 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 stipulating 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 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 restrictions have 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.

**E. 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, 1999 and 1998, was \$8,273 and \$44,835, respectively.

**F. Cash and Cash Equivalents**

For purposes of the Statements 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.

	<u>1999</u>	<u>1998</u>
Temporarily restricted	\$ 80,010	\$ 43,210
Unrestricted	<u>268,919</u>	<u>83,953</u>
Sub-total	348,929	127,163
Less: Escrow cash (Note 7)	<u>(5,145)</u>	<u>(1,111)</u>
<b>Total cash</b>	<b><u>\$343,784</u></b>	<b><u>\$126,052</u></b>

**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, 1999 and 1998 contributions receivable, net, were as follows.

	<u>1999</u>	<u>1998</u>
Unrestricted	\$52,800	\$29,100
Temporarily Restricted	<u>25,000</u>	-
<b>Contributions receivable, net</b>	<b><u>\$77,800</u></b>	<b><u>\$29,100</u></b>

**Note 5. Accounts Receivable, Net**

At September 30, 1999 and 1998, accounts receivable consisted of payments due from vendors, employees, and councils as follows.

	<u>1999</u>	<u>1998</u>
Unrestricted	\$3,893	\$4,145
Less: Allowance for doubtful accounts	<u>(1,470)</u>	<u>(1,230)</u>
<b>Accounts Receivable, Net</b>	<b><u>\$2,423</u></b>	<b><u>\$2,915</u></b>

**Note 6. Congressional Award 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 represent the value of all permanently restricted donor contributions received. From the Trust Fund's inception in 1990 through September 30, 1999 and 1998, permanently restricted contributions received by the Trust Fund totaled \$264,107 and \$263,057, 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 the Foundation. Trust income represents the value of the Trust assets (including interest and dividends earned and 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 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 or losses on Trust Fund investments for fiscal years 1999 and 1998 were \$75,723 and \$(5,052), respectively. The interest and dividends earned on Trust Fund investments for fiscal years 1999 and 1998 were \$11,774 and \$12,434, respectively. The Foundation believes that interest and dividends on Trust Fund investments will continue indefinitely.

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A reconciliation of investment earnings (returns) and contributions received to changes in the restricted and unrestricted portions of Trust Fund investments for fiscal years 1999 and 1998 is as follows.

	Trust Fund Activity			
	<u>Permanently Restricted Trust Assets</u>		<u>Unrestricted Trust Assets</u>	
	September 30,		September 30,	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
<b>Investment Earnings, Net:</b>				
Dividends and interest earned on trust fund investments	-	-	\$11,774	\$12,434
Realized and unrealized investment gains (losses)	<u>-</u>	<u>-</u>	<u>75,723</u>	<u>(5,052)</u>
<b>Total investment earnings<sup>a</sup></b>	-	-	<b>\$87,497</b>	<b>\$7,382</b>
Investment earnings applied to current operation	<u>-</u>	<u>-</u>	<u>(11,774)</u>	<u>(11,800)</u>
Investment earnings (losses) not applied to current operation	-	-	<u>75,723</u>	<u>(4,418)</u>
Gifts available for investment	<u>\$1,050</u>	<u>\$41,956</u>	<u>-</u>	<u>-</u>
<b>Net change in investment Assets</b>	<b>\$1,050</b>	<b>\$41,956</b>	<b>\$75,723</b>	<b>\$(4,418)</b>
<b>Investments at beginning of the year</b>	<b><u>\$263,057</u></b>	<b><u>\$221,101</u></b>	<b><u>\$88,056</u></b>	<b><u>\$92,474</u></b>
<b>Investments at end of the Year</b>	<b><u>\$264,107</u></b>	<b><u>\$263,057</u></b>	<b><u>\$163,779</u></b>	<b><u>\$88,056</u></b>

<sup>a</sup>Total investment earnings are net of \$1,225 investment expenses for fiscal year 1999 and \$1,720 for fiscal year 1998.

The relative concentration of total Trust Fund investments as of September 30, 1999 and 1998 is summarized as follows.

<u>Description</u>	<u>Market Value at September 30,</u>	
	<u>1999</u>	<u>1998</u>
Cash Fund	\$1,705	\$1,573
Equity Securities	300,675	211,307
U.S. Treasury Notes and Bonds	<u>125,505</u>	<u>138,232</u>
<b>Total</b>	<b><u>\$427,885</u></b>	<b><u>\$351,112</u></b>

**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, 1999 and 1998, the funds held in escrow were \$5,145 and \$1,111, respectively.

**Note 8. In-kind Contributions**

During fiscal years 1999 and 1998, the Foundation received in-kind (noncash) contributions from donors, which are accounted for as contribution revenue and either as current period operating expenses or additions to capital assets. These noncash contributions are as follows.

	<u>1999</u>	<u>1998</u>
Promotional support	\$17,745	40,970
Professional services (legal)	25,000	30,000
Printing and photographic support	1,400	2,256
Supplies for fund-raising gala	41,501	-
Other support--Foundation sponsored events	3,256	11,535
Furniture	<u>17,100</u>	<u>-</u>
<b>Total In-kind Contributions</b>	<b><u>\$106,002</u></b>	<b><u>\$84,761</u></b>

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 (except for telephone that is paid by the Foundation). The costs 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 incurring expenses that satisfy the donor-imposed restriction or the occurrence of other donor-specified events. As of September 30, 1999 and 1998, net assets released from restriction were as follows.

	<u>1999</u>	<u>1998</u>
General fund	\$5,000	\$18,500
Nevada Council development	1,281	3,242
South Bronx Project	631	5,000
D.C. Council development	212	3,516
South Dakota Council development	14,929	5,319
Pennsylvania Council development	2,651	-
Mississippi Council development	<u>70</u>	<u>-</u>
<b>Total</b>	<b><u>\$24,774</u></b>	<b><u>\$35,577</u></b>

**Note 10. Temporarily Restricted Contributions**

Temporarily restricted contributions received by purpose:

	<u>1999</u>	<u>1998</u>
Special Projects and Events, General Fund	\$11,500	\$23,500
Nevada Council development	-	40
South Dakota Council development	10,000	-
South Bronx Project	5,000	5,000
D.C. Council development	-	2,500
Pennsylvania Council development	5,000	-
Mississippi Council development	25,000	-
Puerto Rico Council development	<u>25,000</u>	<u>-</u>
<b>Total</b>	<b><u>\$81,500</u></b>	<b><u>\$31,040</u></b>

**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 may, but is not required to, make employer contributions to the plan. For 1999 and 1998, the Board voted to make matching contributions to qualified employees of up to 3 percent, which amounted to \$6,343 and \$4,130 in 1999 and 1998, respectively.

**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 1999 and 1998, 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 line 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 1999 and 1998. An investment committee of the Board establishes investment guidelines and monitors the portfolio's performance.

The Foundation retained a professional photographer for photographic services at the Gold Award Ceremony in 1998 and at the Annual Gala in 1999. This individual is the spouse of a Foundation employee.

**Note 13. Concentration of Credit Risk--Cash**

At September 30, 1999 and 1998, 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, 1999 and 1998, were \$261,166 and \$52,426, respectively, 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, 1999 and 1998. To fully comply with requirements of SFAS No. 117 related to disclosure of expenses by functional classification for fiscal years 1999 and 1998, the Foundation developed a technique for allocating its indirect expenses to program and support activities (functional classifications).

Presented below are the Foundation's expenses by functional classification for fiscal years 1999 and 1998 as required by SFAS No. 117. The expenses include both direct and allocated indirect expenses by functional classification.

Fiscal Years 1999 and 1998 Expenses by Functional Classification

	1999 <u>Percent</u>	1999 <u>Amount</u>	1998 <u>Percent</u>	1998 <u>Amount</u>
Program activities	47	\$478,319	53	\$497,159
Fund-raising activities	43	437,925	38	351,401
Administrative activities	<u>10</u>	<u>95,310</u>	<u>09</u>	<u>85,962</u>
<b>Total expenses</b>	<b>100</b>	<b><u>\$1,011,554</u></b>	<b>100</b>	<b><u>\$934,522</u></b>

**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 was conditional on good weather, contribution revenue was not recognized until the event occurred in fiscal year 1998. During 1998, the Foundation received registration fees in the amount of \$50 to be applied to future program registration fees. Consequently, revenue recognition was deferred until 1999.

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