

GAO

Report to the Chairman of the Board,
Congressional Award Foundation

May 2012

FINANCIAL AUDIT

Congressional Award Foundation's Fiscal Years 2011 and 2010 Financial Statements



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United States Government Accountability Office
Washington, DC 20548

May 15, 2012

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

Dear Mr. Baker:

This report presents the results of our audits of the financial statements of the Congressional Award Foundation (the Foundation) as of and for the fiscal years ending September 30, 2011, and 2010. These financial statements are the responsibility of the Foundation. This report contains our (1) unqualified opinions on the Foundation's financial statements, (2) results of our consideration of the Foundation's internal control over financial reporting, and (3) conclusion that our tests of the Foundation's compliance with selected provisions of laws and regulations disclosed no instances of reportable noncompliance during fiscal year 2011. The report also discusses a significant matter related to the Foundation's fiscal year 2010 annual federal information return filing.

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 Peggy Smith, Assistant Director; Bethany Smith; Michael Bird; and Matthew Gardner.

Sincerely yours,

Steven J. Sebastian
Managing Director
Financial Management and Assurance



United States Government Accountability Office
Washington, DC 20548

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

In accordance with section 107 of the Congressional Award Act, as amended (2 U.S.C. § 807), we are responsible for conducting audits of the Congressional Award Foundation's (the Foundation) financial statements. In our audits of the Foundation's financial statements for fiscal years 2011 and 2010, we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- no material weaknesses¹ in internal control over financial reporting; and
- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions; (2) a significant matter related to the Foundation's fiscal year 2010 annual federal information return filing; (3) our audit objectives, scope, and methodology; and (4) the Foundation's comments.

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, 2011, and 2010, and the results of its activities and its cash flows for the years then ended.

Consideration of Internal Control

In planning and performing our audit of the Foundation's fiscal year 2011 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

¹A material weakness is a deficiency, or a 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.

effectiveness of internal control. Accordingly, we do not express an opinion on the Foundation's internal control over financial reporting. However, for the controls we tested, we found no material weaknesses in internal control over financial reporting.

In our previous year's audit of the Foundation's fiscal year 2010 financial statements,² we reported a significant deficiency³ in the Foundation's internal control over financial reporting. Specifically, during fiscal year 2010, we found that the Foundation did not have comprehensive accounting policies and procedures. In addition, the Foundation's staff lacked sufficient knowledge of not-for-profit accounting requirements. This increased the Foundation's risk of preparing financial statements that were not fully accurate, complete, and in accordance with generally accepted accounting principles.

During fiscal year 2011, the Foundation made substantial progress in correcting the underlying control issues that comprised the significant deficiency. Specifically, the Foundation completed a review of its accounting policies and procedures and made significant revisions, and added a requirement for staff responsible for any accounting or financial functions to obtain recurring training in not-for-profit accounting. We found that the actions taken by the Foundation have reduced the risk of preparing financial statements and accompanying notes that are not fully accurate, complete, and in accordance with U.S. generally accepted accounting principles, and concluded that the Foundation had effectively addressed the internal control issues that comprised the significant deficiency we reported in our fiscal year 2010 audit.

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

²GAO, *Financial Audit: Congressional Award Foundation's Fiscal Years 2010 and 2009 Financial Statements*, [GAO-11-597](#) (Washington, D.C.: May 12, 2011).

³A significant deficiency is a deficiency, or 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.

We identified other deficiencies in the Foundation's internal control that we do not consider to be material weaknesses or significant deficiencies, but which nonetheless merit Foundation management's attention and correction. We have communicated these matters to Foundation management.

Compliance with Laws and Regulations

Our tests of the Foundation's compliance with selected provisions of laws and regulations for fiscal year 2011 disclosed no instances of noncompliance that would be reportable under U.S. 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.

Significant Matter

During our audit of the Foundation's fiscal years 2011 and 2010 financial statements, we identified a significant matter that we believe is relevant to users and readers of the Foundation's financial statements and therefore warrants Foundation management's attention. This matter concerns an inconsistency between functional expenses reported in the Foundation's annual information return filed with the Internal Revenue Service (IRS) and the audited financial statements for fiscal year 2010.

Specifically, the Foundation reported a statement of functional expenses in its annual Form 990, *Return of Organization Exempt from Income Tax*⁴, filed with the IRS for fiscal year 2010 that differed from functional expenses reported in its audited financial statements for the same year and did not reconcile the differences on the Form 990 Schedule D, Part XIII, *Reconciliation of Expenses per Audited Financial Statements with*

⁴IRS Form 990 is used by tax-exempt organizations to provide the IRS with the information required by section 6033 of the Internal Revenue Code (IRC). An organization's completed Form 990 generally is available for public inspection as required by section 6104 of the IRC. Some members of the public rely on the Form 990 as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, the return should be complete, accurate, and fully describe the organization's programs and accomplishments. Form 990 is due by the 15th day of the 5th month after the organization's fiscal year ends. Upon request, the due date for filing the 990 can be extended for 3 months without showing cause.

*Expenses per Return.*⁵ The Form 990 statement of functional expenses reported program expenses of \$390,563, administrative expenses of \$145,570, fundraising expenses of \$75,362, and total functional expenses of \$611,494. In contrast, the audited financial statements for the same period reported program expenses of \$417,500, administrative expenses of \$140,321, fundraising expenses of \$223,624, and total functional expenses of \$781,445.

The inconsistency in the presentation of functional expenses could confuse readers of the audited financial statements and Form 990 as to the Foundation's program expenses, administrative expenses, fundraising expenses, and total functional expenses. Foundation management confirmed that the Form 990 contained errors and that the Foundation intends to file an amended Form 990 for fiscal year 2010 to reflect information on its functional expenses consistent with that reported in its fiscal year 2010 financial statements.

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 over financial reporting to provide reasonable assurance that the control objectives established in GAO's *Standards for Internal Control in the Federal Government*⁶ are met, and complying with applicable laws and regulations.

We are responsible for planning and performing the 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 U.S. generally accepted accounting principles. 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

⁵The Foundation filed its Form 990 for fiscal year 2010 on July 20, 2011—approximately 2 months after our report on the results of our audit of the Foundation's fiscal year 2010 and 2009 financial statements was released.

⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

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 over financial reporting 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.

An entity's 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 U.S. generally accepted accounting principles, 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 all 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 also caution that projecting any evaluation of effectiveness 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. In addition, we caution that our consideration of internal control may not be sufficient for other purposes.

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, 2011. 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 has made significant efforts over the past year to improve operations and ensure that proper internal controls over financial reporting are in place. The Foundation also stated that it agreed that the IRS Form 990 for fiscal year 2010 should be amended to include a completed schedule to reconcile functional expenses reported on the IRS Form 990 with those reported on the audited financial statements for that period.

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



Steven J. Sebastian
Managing Director
Financial Management and Assurance

May 9, 2012

Financial Statements

Statements of Financial Position

The Congressional Award Foundation
Statements of Financial Position
As of September 30, 2011, and 2010

	<u>2011</u>	<u>2010</u>
Assets		
Cash	\$ 201,733	\$ 126,507
Certificate of Deposit (notes 4 & 13)	20,135	-
Contributions receivable (note 3)	95,075	94,025
Accounts receivable	10,732	9,840
Prepaid expense	4,864	32,289
Donated auction items	-	8,743
Equipment, furniture, and fixtures, net (note 5)	3,058	8,493
Total assets	<u>\$ 335,597</u>	<u>\$ 279,897</u>
Liabilities and net assets		
Accounts payable	\$ 6,760	\$ 3,936
Accrued payroll, related taxes, and leave	20,520	18,610
Refundable advance	-	26,142
Deferred revenue	-	10,601
Capital lease liability (note 6)	-	3,113
Total liabilities	<u>27,280</u>	<u>62,402</u>
Commitments and contingencies (note 13)		
Net assets		
Unrestricted	291,769	199,945
Temporarily restricted (note 7)	16,548	17,550
Total net assets	<u>308,317</u>	<u>217,495</u>
Total liabilities and net assets	<u>\$ 335,597</u>	<u>\$ 279,897</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, 2011, and 2010

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Operating revenue and other support		
Contributions	\$ 289,711	\$ 313,933
Contributions - In-kind (note 8)	58,277	80,962
Program and other revenues	542,440	437,626
Interest Income	135	-
Net assets released from restrictions (note 7)	<u>1,002</u>	<u>1,496</u>
Total operating revenue and other support	<u>891,565</u>	<u>834,017</u>
Operating expenses (note 9)		
Salaries, benefits, and payroll taxes	356,795	363,947
Program, promotion, and travel	18,308	36,075
Fund-raising expense	50,927	137,547
Costs of direct benefit to donors	162,749	28,862
Gold Award ceremony	64,743	78,052
Professional fees	68,500	66,953
Depreciation and amortization	5,435	6,155
Board of Directors expense	1,580	1,338
Administrative and other expense	<u>70,704</u>	<u>62,516</u>
Total operating expenses	<u>799,741</u>	<u>781,445</u>
Change in unrestricted net assets	91,824	52,572
Changes in temporarily restricted net assets:		
Net assets released from restrictions (note 7)	<u>(1,002)</u>	<u>(1,496)</u>
(Decrease) in temporarily restricted net assets	<u>(1,002)</u>	<u>(1,496)</u>
Increase in net assets	90,822	51,076
Net assets at beginning of year	217,495	166,419
Net assets at end of year	<u>\$ 308,317</u>	<u>\$ 217,495</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, 2011, and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Increase in net assets	\$ 90,822	\$ 51,076
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	5,435	6,155
Write-off of Uncollectible Pledges	-	1,500
Bad Debt Expense	-	200
Accrued interest income	(135)	-
Change in operating assets:		
Contributions receivable	(1,050)	1,275
Accounts receivable	(892)	(509)
Prepaid expenses	27,425	(19,108)
Donated auction items	8,743	(6,903)
Change in operating liabilities:		
Accounts payable	2,824	(9,306)
Accrued payroll, related taxes and leave	1,910	3,128
Refundable advance	(26,142)	(222)
Deferred revenue	(10,601)	7,625
Net cash provided by operating activities	<u>98,339</u>	<u>34,911</u>
Cash flows from investing activities:		
Purchase of certificate of deposit	(20,000)	-
Net cash used in investing activities	<u>(20,000)</u>	<u>-</u>
Cash flows from financing activities:		
Principal payments under capital lease obligation (note 6)	(3,113)	(6,239)
Net cash used in financing activities	<u>(3,113)</u>	<u>(6,239)</u>
Net increase in cash	75,226	28,672
Cash, beginning of year	<u>126,507</u>	<u>97,835</u>
Cash, end of year	<u>\$ 201,733</u>	<u>\$ 126,507</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, 2011, and 2010

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 4,000 in fiscal year 2011. During fiscal year 2011, there were approximately 29,600 participants registered in the Foundation's Award program. Public Law 111-200, enacted on July 7, 2010, reauthorized the Congressional Award Foundation through September 30, 2013.

Note 2. Summary of Significant Accounting Policies

A. Basis of Accounting

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

B. Certificate of Deposit

Certificates of deposit purchased with original maturities greater than three months are stated at face value plus accrued interest.

C. 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 one year are measured at net realizable value. The Foundation expects to receive all of the contributions receivable within one year.

D. Equipment, Furniture, and Fixtures and Related Depreciation

Through December 2010, the Foundation capitalized equipment, furniture, and fixtures with an individual asset acquisition cost of more than \$2,500. Assets were stated at historical cost, and depreciation was computed using the straight-line method over estimated useful lives of 5 to 10 years. In January 2011, the Foundation modified its policies to capitalize equipment, furniture, and fixtures with an individual asset acquisition cost of more than \$500, over estimated useful lives of 2 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

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2011, and 2010

fair value.

For fiscal year 2010, 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.

E. Classification of Net Assets

The net assets of the Foundation are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are 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 as of September 30, 2011 and 2010.

F. 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. The contribution portion paid, in excess of the fair value of the ticket for 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 deferred revenue and refundable advances are recorded as contributions.

G. 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 9 of these financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

H. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2011, and 2010

that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. In-kind Contributions

Contributed goods are recognized at fair value when received if the Foundation would have normally purchased them in the normal course of business. Contributed services are recognized at fair market value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as contributions in-kind are offset by like amounts included in expenses or additions to property and equipment.

J. Direct Benefit to Donor

Direct benefit to donor includes all costs associated with an event in which the donor received a direct benefit in exchange for participating in the event in which they have made a contribution. These costs include meal, beverages, entertainment, and costs of the venue, services such as green fees and entrance fees, and various other items.

In fiscal year 2011, the foundation made changes to its direct benefit to donor policy to reflect the overall benefits provided to donors for all of the events for the year, versus by the number of individuals attending each event.

Note 3. Contributions Receivable

At September 30, 2011 and 2010, promises to give totaled \$95,075 and \$94,025, respectively; no promises to give were temporarily restricted by the donors. All amounts were due within one year. Allowance for uncollectible pledges is based on historical information regarding prior collectability of pledges and specific identification. Management has determined that no allowance was necessary for the years ending September 30, 2011 and 2010.

Note 4. Fair Value Measurements

FASB ASC Topic 820, Fair Value Measurement, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy under FASB ASC Topic 820 are described below:

Level 1—Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2011, and 2010

Level 2—Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3—Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The level of an asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The certificate of deposit is valued at face value plus accrued interest, which approximates fair value.

The following table sets forth, by level, within the fair value hierarchy, amounts recorded in the Foundation's financial statements at fair value as of September 30, 2011:

<u>Fair Value</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Certificate of Deposit	\$20,135	\$20,135	\$ —	\$ —
<u>Total</u>	<u>\$20,135</u>	<u>\$20,135</u>	\$ —	\$ —

Note 5. Equipment, Furniture, and Fixtures, Net

Equipment, furniture, and fixtures as of September 30, 2011, and 2010, are shown in the schedule below:

Financial Statements

**THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2011, and 2010**

	<u>2011</u>	<u>2010</u>
Computer software	\$25,868	\$25,868
Furniture and equipment	76,576	76,576
Contributed equipment	15,100	15,100
Accumulated depreciation & amortization	<u>(116,599)</u>	<u>(115,356)</u>
Furniture, fixtures, equipment, software, net	<u>945</u>	<u>2,188</u>
Equipment - capital lease	20,129	20,129
Accumulated amortization - capital lease	<u>(18,016)</u>	<u>(13,824)</u>
Net capital lease	<u>2,113</u>	<u>6,305</u>
Total equipment, furniture, and fixtures, net	<u>\$3,058</u>	<u>\$ 8,493</u>

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

Note 6. Capital Lease Liability

For fiscal year 2010, the Foundation had an existing capital lease for computer equipment in the amount of \$20,129, with the present value of the net minimum lease payments equaling \$3,113. In May 2011, the capital lease matured and was paid in full.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, 2011, and 2010 were available for the following programs and future periods:

	<u>2011</u>	<u>2010</u>
Puerto Rico Council development	\$ 14,893	\$ 14,893
Nevada Council development	<u>1,655</u>	<u>2,657</u>
Total net assets temporarily restricted for use	<u>\$ 16,548</u>	<u>\$ 17,550</u>

Net assets released from restrictions during the years ended September 30, 2011, and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Puerto Rico Council development	\$ -	\$ -
Nevada Council development	<u>1,002</u>	<u>1,496</u>
Total temporarily restricted net assets released for use	<u>\$ 1,002</u>	<u>\$ 1,496</u>

Note 8. In-kind Contributions

During fiscal years 2011 and 2010, the Foundation received in-kind (non-cash)

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2011, and 2010

contributions from donors. The Foundation received the following contributions in-kind, estimated at fair market value, on the dates of donations, during the years ended September 30, 2011 and 2010.

The values of the in-kind contributions recognized were \$58,277 and \$80,962 for fiscal years 2011 and 2010, respectively. These non-cash contributions are as follows:

	<u>2011</u>	<u>2010</u>
Professional services:		
Legal	\$ 40,000	\$ 40,000
Accounting-Tax preparation	1,500	1,500
Donations relating to fundraising	16,500	28,838
Donations relating to program	<u>277</u>	<u>10,624</u>
Total in-kind contributions	<u>\$ 58,277</u>	<u>\$80,962</u>

During fiscal years 2011 and 2010, 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.

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 9. 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, 2011, and 2010. Presented below are the Foundation's expenses by functional classification for the fiscal years ended September 30, 2011, and 2010:

	<u>2011</u>	<u>2010</u>
Program activities	\$ 379,875	\$ 417,500
Fund-raising activities	110,028	194,762
Costs of direct benefit to donors	162,749	28,862
Administrative activities	<u>147,089</u>	<u>140,321</u>
Total	<u>\$ 799,741</u>	<u>\$ 781,445</u>

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2011, and 2010

Note 10. 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 2011 and 2010.

Note 11. Related Party Activities

The Foundation engaged in numerous transactions with related parties during fiscal years 2011 and 2010.

During fiscal years 2011 and 2010, the National Director utilized her credit card to purchase items for the Foundation. All amounts paid by the National Director were reimbursed in fiscal years 2011 and 2010.

The following in-kind contributions were made by related parties and are included in note 10:

- During fiscal years 2011 and 2010, an ex officio director of the board provided pro bono legal services to the Foundation. The value for fiscal years 2011 and 2010 was \$40,000 per year.
- During fiscal years 2011 and 2010, the controller, through his professional tax business, provided tax preparation services to the Foundation. The value for fiscal years 2011 and 2010 was \$1,500 per year.
- During fiscal year 2010, a board member, through his company, provided services relating to the annual poker tournament. The value for fiscal year 2010 was \$4,100.
- During fiscal year 2010, a board member did not request reimbursement of expenses for participants to attend Mississippi and Washington, D.C., ceremonies. The value for fiscal year 2010 was \$3,400.
- During fiscal year 2010, a board member, through his company, provided filming of the Gold Award Ceremony. The value for fiscal year 2010 was \$3,000.
- During fiscal year 2010, a board member, through his company, provided services relating to the Gold Award program. The value for fiscal year 2010 was \$1,400.
- During fiscal year 2010, a board member, through his company, provided services relating to the annual poker tournament. The value for fiscal year 2010 was \$550.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2011, and 2010

- During fiscal year 2010, a board member, through his company, provided services relating to the annual poker tournament. The value for fiscal year 2010 was \$500.

Note 12. Income Taxes

The Foundation is a not-for-profit organization exempt from taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Foundation has also been classified as an entity that is not a private foundation with the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The Foundation has adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Under the provisions, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more-likely-than-not that the position will be sustained. The implementation of the provisions has had no impact on the Foundation's financial statements. The Foundation does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Foundation has filed Internal Revenue Service's Form 990 as required and all other applicable returns where it is required. The Foundation believes that it is no longer subject to tax examinations by tax authorities for fiscal years before 2008. For the year ended September 30, 2011, there were no interest or penalties recorded or included in the statements of activities.

Note 13. Commitments and Contingencies

In January 2011, the Foundation acquired a corporate credit card for the Foundation's business use. The credit agreement requires collateral in the form of a certificate of deposit in the amount of \$20,000, the same face value as the amount of credit limit authorized on the card.

Note 14. Subsequent Events

In connection with the preparation of the financial statements, the Foundation has evaluated subsequent events after the date of the statement of financial position of September 30, 2011, through May 9, 2012, the date on which the Foundation's financial statements were available to be issued.

Appendix I: Comments from the Congressional Award Foundation



Public Law 96-114. The Congressional Award Act

Congressional Award

May 9, 2012

Mr. Steven Sebastian
Director, Financial Management and Assurance
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Mr. Sebastian,

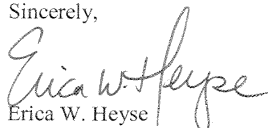
This letter is in response to your audit report of the Congressional Award Foundation's statements of financial position as of September 30, 2011 and 2010.

We are extremely pleased that the GAO found the fiscal year 2011 financial statements were presented fairly and in conformity with U.S. generally accepted accounting principles, and found no material weaknesses or reportable instances of noncompliance with laws and regulations. The Foundation has made significant efforts over the past year to improve operations and ensure that proper internal controls over financial reporting are in place. Your audit findings report the positive results of those efforts.

We agree with your assessment that the IRS Form 990 for fiscal year 2010 should be amended to include a completed schedule to reconcile the reported Form 990 functional expenses to the audited financial statements for that time period. As the IRS requirements relating to the breakdown of functional classifications differ from those guidelines required during the audit, a schedule will clarify for the reader how those differences are recorded.

We appreciate the feedback and assistance of the GAO in strengthening the Foundation and its operations.

Sincerely,


Erica W. Heyse
National Director


Ed Blansitt
Audit Chairman

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