

GAO

Report to the Chairman of the Board,
Congressional Award Foundation

May 2011

FINANCIAL AUDIT

Congressional Award
Foundation's Fiscal
Years 2010 and 2009
Financial Statements



G A O

Accountability * Integrity * Reliability

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	7
Foundation's Comments	8
Financial Statements	10
Statements of Financial Position	10
Statements of Activities	11
Statements of Cash Flows	12
Notes to Financial Statements	13
Appendix	
Appendix I: Comments from the Congressional Award Foundation	19

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.



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

May 12, 2011

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, 2010, and 2009. These financial statements are the responsibility of the Foundation. This report also presents the results of our consideration of the Foundation's internal control over financial reporting and the results of our tests of the Foundation's compliance during fiscal year 2010 with selected provisions of laws and regulations.

In our May 2010 report on the results of our audit of the Foundation's fiscal years 2009 and 2008 financial statements, we reported a material weakness in the Foundation's internal control over financial reporting. Specifically, we reported that the Foundation lacked sufficient and appropriate policies, procedures, and resources to prepare financial statements and accompanying notes accurately, completely, and in accordance with U.S. generally accepted accounting principles. During fiscal year 2010, the Foundation made progress in addressing this material weakness with the implementation of a more effective management review of the financial statements. However, certain control deficiencies over the Foundation's financial reporting process remained and, while no longer constituting a material weakness, represent a significant deficiency in internal control that continued to place the Foundation at increased risk of errors or omissions in its financial statements.

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; Nicole Dow; and Marci Goasdone.

Sincerely yours,

A handwritten signature in black ink, reading "Steven J. Sebastian". The signature is written in a cursive style with a large, stylized initial "S".

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

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 2010 and 2009, we found

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;
- a significant deficiency¹ in the Foundation's 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) our audit objectives, scope, and methodology; and (3) 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, 2010, and 2009, 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 significant deficiency in internal control described in this report.

¹A 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. A 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 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.

Consideration of Internal Control

In planning and performing our audit of the Foundation's fiscal year 2010 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 2010 financial statements, we identified a significant deficiency 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, and the Foundation staff lacked sufficient knowledge of not-for-profit accounting requirements. This increased the Foundation's risk of preparing financial statements that are not fully accurate, complete, and in accordance with generally accepted accounting principles.

In our previous year's audit of the Foundation's fiscal years 2009 and 2008 financial statements,² we reported a material weakness in the Foundation's internal control over financial reporting. Specifically, we reported 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 a separate report to the Foundation's management, we provided further details on the control deficiencies that comprised this material weakness, as well as recommendations for corrective action.³ Specifically, we recommended that the Foundation

- conduct a review of its current accounting policies and procedures and update them as necessary,

²GAO, *Financial Audit: Congressional Award Foundation's Fiscal Years 2009 and 2008 Financial Statements*, [GAO-10-646](#) (Washington, D.C.: May 14, 2010).

³GAO, *Management Report: Opportunities for Improvements in the Congressional Award Foundation's Internal Controls and Accounting Procedures*, [GAO-10-964R](#) (Washington, D.C.: September 9, 2010).

-
- establish and document policies and procedures to ensure that staff receive training aimed at developing knowledge and skills in accounting and financial reporting for not-for-profit organizations, and
 - institute a management review process for the Foundation's draft financial statements that is effective in identifying material misstatements.

In response to our recommendations, during fiscal year 2010, the Foundation took a number of actions to address the material weakness. Specifically, the Foundation implemented a more effective management review of the financial statements. Also, we noted both a significantly lower number of adjustments resulting from errors that we identified during our audit this year and a significantly less dollar impact than those resulting from our fiscal year 2009 audit. For example, the errors we found during our audit of the Foundation's fiscal year 2009 financial statements resulted in adjustments needed to correct the Foundation's overstatement of its net assets of over \$40,000; in contrast, the errors we found during our audit of the Foundation's fiscal year 2010 financial statements resulted in adjustments to correct an overstatement to net assets of less than \$2,000. The significant reduction in both the number and size of the adjustments resulting from errors also showed that the Foundation improved its process for assuring that revenue and expenses are recorded in the proper period, although more efforts are needed in this area.

The Foundation took further steps to address the material weakness we reported by purchasing a financial and accounting manual for not-for-profit entities to use as a resource in assisting the Foundation staff in preparing the Foundation's financial statements and note disclosures. In addition, the Foundation's Board of Directors elected a new audit committee chairman and Treasurer with expertise in not-for-profit accounting.

The actions taken by the Foundation to address the issues we reported in our fiscal year 2009 audit report and in our follow-on management report have reduced the likelihood that material misstatements could go undetected and uncorrected. However, through fiscal year 2010 and during the period in which the Foundation prepared its fiscal year 2010 financial statements, the Foundation continued to lack comprehensive accounting policies and procedures. In addition, the Foundation's staff had not had training aimed at developing their skills and knowledge of not-for-profit accounting requirements. Thus, while the Foundation's actions during fiscal year 2010 were sufficient to reduce the likelihood of material

misstatements to the financial statements going undetected and uncorrected such that we no longer consider the remaining internal control deficiencies to constitute a material weakness, we believe the control deficiencies that remained during fiscal year 2010 and through the preparation of the Foundation's fiscal year 2010 financial statements constitute a significant deficiency in internal control. This significant deficiency continued to place the Foundation at risk of preparing financial statements and accompanying notes that are not fully accurate, complete, and in accordance with U.S. generally accepted accounting principles. In December 2010, the Foundation completed a review of its accounting policies and procedures and made significant revisions. While these revised accounting policies and procedures were not in place to assist the Foundation in preparing its fiscal year 2010 financial statements, they should provide a framework for improved financial accounting, reporting, and internal control in future years. We plan to evaluate the design and implementation of these revised policies and procedures during our fiscal year 2011 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 significant deficiency in determining the nature, timing, and extent of our audit procedures on the financial statements and in forming our conclusions.

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 informally and, as appropriate, will also report 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 2010 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.

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*⁴ 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 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;

⁴GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

-
- 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, 2010. 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 agreed that improvements to address internal controls over financial reporting have been made over the last year. The Foundation also stated

that it continues to make significant improvements in this area, creating new and improved policies and procedures in 2011, and that assessment of its systems and procedures remains an ongoing process.

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

A handwritten signature in black ink, reading "Steven J. Sebastian". The signature is written in a cursive style with a large, stylized initial 'S'.

Steven J. Sebastian
Director
Financial Management and Assurance

May 6, 2011

Financial Statements

Statements of Financial Position

**The Congressional Award Foundation
Statements of Financial Position
As of September 30, 2010, and 2009**

	<u>2010</u>	<u>2009</u>
Assets		
Cash	\$ 126,507	\$ 97,835
Contributions receivable (note 3)	94,025	96,800
Accounts receivable	9,840	9,531
Prepaid expense	32,289	13,181
Donated auction items	8,743	1,840
Equipment, furniture, and fixtures, net (note 4)	8,493	14,649
Total assets	<u>\$ 279,897</u>	<u>\$ 233,836</u>
Liabilities and net assets		
Accounts payable	\$ 3,936	\$ 13,242
Accrued payroll, related taxes, and leave	18,610	15,482
Refundable advance	26,142	26,364
Deferred revenue	10,601	2,976
Capital lease liability (note 5)	3,113	9,353
Total liabilities	<u>62,402</u>	<u>67,417</u>
Net assets		
Unrestricted	199,945	147,372
Temporarily restricted (note 6)	17,550	19,047
Total net assets	<u>217,495</u>	<u>166,419</u>
Total liabilities and net assets	<u>\$ 279,897</u>	<u>\$ 233,836</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, 2010, and 2009

	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets:		
Operating revenue and other support		
Contributions	\$ 313,933	\$ 434,049
Contributions - In-kind (note 7)	80,962	71,757
Program and other revenues	437,626	239,105
Net assets released from restrictions (note 6)	1,496	919
Total operating revenue and other support	<u>834,017</u>	<u>745,830</u>
Operating expenses (note 8)		
Salaries, benefits, and payroll taxes	363,947	397,189
Program, promotion, and travel	36,075	14,161
Fund-raising expense	137,547	89,535
Costs of direct benefit to donors	28,862	22,638
Gold Award ceremony	78,052	170,835
Professional fees	66,953	76,620
Depreciation and amortization	6,155	7,165
Board of Directors expense	1,338	1,259
Administrative and other expense	62,516	58,686
Total operating expenses	<u>781,445</u>	<u>838,088</u>
Subtotal	52,572	(92,258)
Changes in temporarily restricted net assets:		
Net assets released from restrictions (note 6)	(1,496)	(919)
Decrease in temporarily restricted net assets	<u>(1,496)</u>	<u>(919)</u>
Increase/(decrease) in net assets	51,076	(93,177)
Net assets at beginning of year	166,419	259,596
Net assets at end of year	<u>\$ 217,495</u>	<u>\$ 166,419</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, 2010, and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 51,076	\$ (93,177)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	6,155	7,165
Write-off of Uncollectible Pledges	1,500	-
Bad Debt Expense	200	-
Change in operating assets:		
Contributions receivable	1,275	40,600
Accounts receivable	(509)	289
Prepaid expenses	(19,108)	(9,108)
Donated auction items	(6,903)	(1,840)
Change in operating liabilities:		
Accounts payable	(9,306)	7,478
Accrued payroll, related taxes and leave	3,128	1,312
Refundable advance	(222)	26,364
Deferred revenue	7,625	2,976
Net cash provided/(used) in operating activities	<u>34,911</u>	<u>(17,941)</u>
Cash flows from financing activities:		
Principal payments under capital lease obligation (note 5)	(6,239)	(4,915)
Net cash provided by financing activities	<u>(6,239)</u>	<u>(4,915)</u>
Net increase (decrease) in cash	28,672	(22,856)
Cash, beginning of year	<u>97,835</u>	<u>120,691</u>
Cash, end of year	<u><u>\$ 126,507</u></u>	<u><u>\$ 97,835</u></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, 2010, and 2009

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 2010. During fiscal year 2010, there were approximately 28,700 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 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 one year are measured at net realizable value. The Foundation expects to receive all of the contributions receivable within one 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.

D. Classification of Net Assets

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2010, and 2009

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.

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. 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.

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.

Note 3. Contributions Receivable

At September 30, 2010 and 2009, promises to give totaled \$94,025 and \$96,800, respectively; no promises to give were temporarily restricted by the donors. All amounts were due within one year. All but \$11,275 of the \$94,025 receivable at September 30, 2010, was received by April 26, 2011.

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2010, and 2009

Note 4. Equipment, Furniture, and Fixtures

Equipment, furniture, and fixtures as of September 30, 2010, and 2009, are shown in the schedule below.

	<u>September 30.</u>	
	<u>2010</u>	<u>2009</u>
Computer software	\$25,868	\$25,868
Equipment - capital lease	20,129	20,129
Furniture and equipment	76,576	76,576
Contributed equipment	15,100	15,100
Accumulated depreciation	(115,356)	(113,477)
Accumulated amortization - capital lease	<u>(13,824)</u>	<u>(9,547)</u>
Equipment, furniture, and fixtures, net	<u>\$8,493</u>	<u>\$14,649</u>

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

Note 5. Capital Lease Liability

The Foundation has an existing capital lease for computer equipment in the amount of \$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 1-year period remaining, net of interest, as of September 30, 2010.

Years ending September 30:	
2011	3,337
Less the amount representing interest	<u>(224)</u>
Present value of net minimum lease payments	<u>\$3,113</u>

THE CONGRESSIONAL AWARD FOUNDATION
Notes to Financial Statements
For the Fiscal Years Ended September 30, 2010, and 2009

Note 6. Temporarily Restricted Net Assets

Temporarily restricted net assets as of September 30, 2010, and 2009 were available for the following programs and future periods:

	<u>September 30,</u>	
	<u>2010</u>	<u>2009</u>
Puerto Rico Council development	\$ 14,893	\$ 14,893
Nevada Council development	<u>2,657</u>	<u>4,154</u>
Total net assets temporarily restricted for use	<u>\$ 17,550</u>	<u>\$ 19,047</u>

Net assets released from restrictions during the years ended September 30, 2010, and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
Puerto Rico Council development	\$ 0	\$ 131
Nevada Council development	<u>1,496</u>	<u>788</u>
Total temporarily restricted net assets released for use	<u>\$ 1,496</u>	<u>\$ 919</u>

Note 7. In-kind Contributions

During fiscal years 2010 and 2009, the Foundation received in-kind (non-cash) contributions from donors. In-kind contributions are accounted for as contribution revenue and as operating expenses, in the period goods and services are provided.

The values of the in-kind contributions recognized were \$80,962 and \$71,757 for fiscal years 2010 and 2009, respectively. These non-cash contributions are as follows.

	<u>2010</u>	<u>2009</u>
Professional services:		
Legal	\$ 40,000	\$ 35,548
Accounting-Tax preparation	1,500	500
Donations relating to fundraising	28,838	29,731
Donations relating to program	<u>10,624</u>	<u>5,978</u>
Total in-kind contributions	<u>\$ 80,962</u>	<u>\$ 71,757</u>

During fiscal years 2010 and 2009, 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, 2010, and 2009

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 Numismatic 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, 2010, and 2009. Presented below are the Foundation's expenses by functional classification for the fiscal years ended September 30, 2010, and 2009.

	<u>2010</u>	<u>2009</u>
Program activities	\$ 417,500	\$ 521,312
Fund-raising activities	194,762	142,369
Costs of direct benefit to donors	28,862	22,638
Administrative activities	<u>140,321</u>	<u>151,769</u>
Total	<u>\$ 781,445</u>	<u>\$ 838,088</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 2010 and 2009.

Note 10. Related Party Activities

The Foundation engaged in numerous transactions with related parties during fiscal years 2010 and 2009.

During fiscal years 2010 and 2009, the Controller, through his professional tax business, prepared the Foundation's annual Internal Revenue Service Form 990 information returns. His firm was compensated \$0 and \$1,500 during fiscal years 2010 and 2009, respectively.

During fiscal years 2010 and 2009, 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, 2010, and 2009

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

- During fiscal years 2010 and 2009, an ex officio director of the board provided pro bono legal services to the Foundation. The value for fiscal years 2010 and 2009 was \$40,000 and \$35,548, respectively.
- During fiscal years 2010 and 2009, the controller, through his professional tax business, provided tax preparation services that amounted to \$1,500 and \$500 during fiscal years 2010 and 2009, respectively.
- 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 years 2010 and 2009, a board member did not request reimbursement of expenses the board member incurred for participants to attend Mississippi and Washington, D.C., ceremonies. The value for fiscal years 2010 and 2009 was \$3,400 and \$2,900, respectively.
- During fiscal years 2010 and 2009, a board member, through his company, provided filming of the Gold Award Ceremony. The values for fiscal years 2010 and 2009 were \$3,000 and \$3,079, respectively.
- 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.
- 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 11. 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, 2010, through May 6, 2011, the date on which the Foundation's financial statements were available to be issued.

The Foundation established a corporate credit card with a credit limit of \$20,000 in January 2011. This credit limit is collateralized by a Certificate of Deposit with a face value of \$20,000. No other subsequent events were noted that required adjustment to or a disclosure in the notes to the financial statements.

Comments from the Congressional Award Foundation



Public Law 96-114, The Congressional Award Act

Congressional Award

May 6, 2011

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

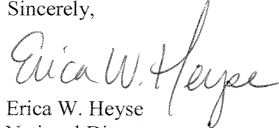
Mr. Sebastian,

This letter is in response to your audit report of the Congressional Award Foundation's statements of financial position as of September 30, 2010 and 2009.

We are pleased that the GAO found the fiscal year 2010 financial statements to be presented fairly and that there were no reportable instances of noncompliance with laws and regulations. We agree with your assessment that improvements have been made over the last year to properly address internal controls over financial reporting. The Foundation continues to make significant improvements in this area, creating new and improved policies and procedures in 2011.

As we continue to experience growth in program participation among youth, assessment of our systems and procedures remains an ongoing process to deliver the program in the best possible manner. We appreciate the feedback and guidance of the GAO for this opportunity to strengthen the Foundation and its operations to yield the best possible results.

Sincerely,


Erica W. Heyse
National Director


Ed Blansitt
Audit Chairman

379 Ford House Office Building • Washington, DC 20515 • (202) 226-0130 • FAX: (202) 226-0131
Mailing Address: Post Office Box 77440 • Washington, DC 20013

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548