



# **CONGRESSIONAL HUNGER CENTER, INC.**

## **Financial Statements and Supplementary Information**

*For the Year Ended September 30, 2018*



### **and Report Thereon**



### **Reports Required in Accordance with Uniform Guidance**

*For the Year Ended September 30, 2018*



CONGRESSIONAL HUNGER CENTER, INC.

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For the Year Ended September 30, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Congressional Hunger Center, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Congressional Hunger Center, Inc. (the Center), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Congressional Hunger Center, Inc. as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2019, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

*Marcum LLP*

Washington, DC  
March 1, 2019

CONGRESSIONAL HUNGER CENTER, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2018

ASSETS

Current assets

Cash	\$ 1,100,031
Grants and contributions receivable	126,643
Prepaid expenses	<u>22,662</u>

Total Current Assets 1,249,336

Property and equipment, net	10,116
Security deposits	<u>19,275</u>

TOTAL ASSETS \$ 1,278,727

LIABILITIES AND NET ASSETS

Liabilities

Current liabilities

Accounts payable and accrued expenses	\$ 49,374
Deferred revenue	732,673
Deferred rent	<u>2,731</u>

TOTAL LIABILITIES 784,778

Net Assets

Unrestricted	422,059
Temporarily restricted	<u>71,890</u>

TOTAL NET ASSETS 493,949

TOTAL LIABILITIES AND NET ASSETS \$ 1,278,727

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

**CONGRESSIONAL HUNGER CENTER, INC.**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2018**

	Unrestricted	Temporarily Restricted	Total
<b>OPERATING SUPPORT AND REVENUE</b>			
Federal grants	\$ 1,977,540	\$ -	\$ 1,977,540
Grants and contributions	428,336	251,100	679,436
Site match revenue	288,940	-	288,940
In-kind contributions	177,035	-	177,035
Net assets released from restrictions:			
Satisfaction of program restrictions	214,210	(214,210)	-
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<b>3,086,061</b>	<b>36,890</b>	<b>3,122,951</b>
<b>OPERATING EXPENSES</b>			
Program Services:			
Emerson National Fellows	1,021,157	-	1,021,157
Leland International Fellows	843,281	-	843,281
Zero Hunger Academy	33,327	-	33,327
Anti-Hunger Corps Summit	25,913	-	25,913
Total Program Services	1,923,678	-	1,923,678
Support Services:			
General and administrative	578,540	-	578,540
Fundraising	117,599	-	117,599
Total Supporting Services	696,139	-	696,139
<b>TOTAL OPERATING EXPENSES</b>	<b>2,619,817</b>	<b>-</b>	<b>2,619,817</b>
Change in net assets from operations	466,244	36,890	503,134
<b>NONOPERATING ACTIVITIES</b>			
Recoveries and other income, net of expenses	158,075	-	158,075
Net loss from lease termination	(5,611)	-	(5,611)
<b>CHANGE IN NET ASSETS</b>	618,708	36,890	655,598
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	<b>(196,649)</b>	<b>35,000</b>	<b>(161,649)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 422,059</b>	<b>\$ 71,890</b>	<b>\$ 493,949</b>

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

**CONGRESSIONAL HUNGER CENTER, INC.**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended September 30, 2018**

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<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 655,598
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Loss on disposal of property and equipment	78,409
Gain from early lease termination	(72,798)
Depreciation and amortization	11,199
Changes in assets and liabilities:	
Grants and contributions receivable	(53,610)
Prepaid expenses	8,673
Security deposits	(2,493)
Accounts payable and accrued expenses	23,579
Deferred revenue	150,218
Deferred rent	(3,828)
	<u>794,947</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	<u>(10,622)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	
<u>(10,622)</u>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Principal repayments on note payable	<u>(311,136)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	
<u>(311,136)</u>	
<b>NET INCREASE IN CASH</b>	
473,189	
CASH, BEGINNING OF YEAR	<u>626,842</u>
CASH, END OF YEAR	<u><u>\$ 1,100,031</u></u>
<b>SUPPLEMENTAL INFORMATION</b>	
Interest paid for the year	<u><u>\$ 15,507</u></u>

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

# CONGRESSIONAL HUNGER CENTER, INC.

## NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2018

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### 1. Organization and Summary of Significant Accounting Policies

#### **Organization**

Congressional Hunger Center, Inc. (the Center) was founded by Representative Tony P. Hall, Chair of the former Select Committee on Hunger, after the Select Committee was eliminated by Congress on March 31, 1993. The Center was incorporated on August 23, 1993, as a District of Columbia non-profit corporation with the mission of keeping Congress and the general public focused on the problems and solutions to domestic and international hunger. Additionally, the Center fights hunger by developing anti-hunger leaders, particularly emerging leaders who will serve as the anti-hunger leaders of tomorrow.

The Center's mission is to train and inspire leaders who work to end hunger, and advocate public policies that create a food-secure world. The Center is a leader in the movement to ensure access to food as a basic human right for all people. The Center creates and nurtures a community of innovative and inspiring leaders who act as change agents, bridging the gap between grassroots efforts and national and international public policy to provide access to nutritious, affordable and culturally appropriate food. These activities are funded primarily through federal grants and corporate and individual grants and contributions.

#### **Basis of Accounting**

The Center prepares its financial statements on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when obligations are incurred.

#### **Receivables**

The Center uses the allowance method to record potentially uncollectible grants and contributions receivable. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible.

#### **Property and Equipment**

Property and equipment with an original cost in excess of \$1,000 and a useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives, which range from three to five years. Expenditures for maintenance and repairs are charged to expenses as incurred. Upon the retirement or disposal of the assets, the cost and accumulated depreciation or amortization are eliminated from the accounts, and the resulting gain or loss is included in revenue and support or expenses.

#### **Net Assets**

The net assets of the Center are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the operations of the Center.
- Temporarily restricted net assets are specifically restricted by donors for various programs or future periods.

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**CONGRESSIONAL HUNGER CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

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1. Organization and Summary of Significant Accounting Policies (continued)

**Revenue Recognition**

Federal government grants that are cost-reimbursable in nature are recognized as revenue as the related expenditures are incurred. Cash received in excess of costs incurred is reflected as deferred revenue in the accompanying statement of financial position.

Grants and contributions received are reported as unrestricted or temporarily restricted, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is met), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. If a restriction expires in the same reporting period in which the support is received, the Center reports the support as an increase in unrestricted net assets.

**In-Kind Contributions**

In-kind contributions are recognized as revenue and expenses in the accompanying statement of activities at their estimated fair value, as provided by the donor at the date of receipt. In-kind contributions consist of contributed legal services.

**Functional Expenses**

The costs of providing the Center's services and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited based on various methods deemed to justify the benefits received by the program and supporting services.

**Estimates**

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

**Measure of Operations**

Operating revenue and expenses generally reflect those revenues and expenses that arise from the Center's programmatic and supporting activities, and excludes recoveries, interest income and the net loss relating to the lease termination as described in Note 5.

2. Grants and Contributions Receivable

Grants and contributions receivable consisted of the following as of September 30, 2018:

Foundation and corporation grants and contributions	\$ 124,250
Other	<u>2,393</u>
Total Grants and Contributions Receivable	<u>\$ 126,643</u>

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**CONGRESSIONAL HUNGER CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

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2. Grants and Contributions Receivable (continued)

All grants and contributions receivable are deemed fully collectible and are expected to be collected within one year.

3. Property and Equipment

The Center held the following property and equipment as of September 30, 2018:

Computer equipment	\$ 13,574
Furniture and fixtures	<u>10,643</u>
Total Property and Equipment	24,217
Less: Accumulated Depreciation and Amortization	<u>(14,101)</u>
Property and Equipment, Net	<u>\$ 10,116</u>

For the year ended September 30, 2018, depreciation and amortization expense was \$11,199.

4. Temporarily Restricted Net Assets

As of September 30, 2018, temporarily restricted net assets of \$63,154 and \$8,736 were restricted for the Emerson National Fellows program and the Zero-Hunger program, respectively.

5. Commitments and Contingencies

**Operating Lease**

On December 30, 2017, the Center terminated its existing office lease without incurring any termination fees. As a result, the Center recorded a gain from the lease termination, and incurred a loss from disposals of property and equipment, primarily leasehold improvements, associated with the terminated lease space. The loss, net of the gain from the lease termination, totaled \$5,611 for the year ended September 30, 2018, and is included in the accompanying statement of activities as a net loss from lease termination.

On December 26, 2017, the Center entered into a 13-month operating lease for new office space effective January 1, 2018. The new operating lease provided for a one-month rent abatement and requires the Center to pay its proportionate share of operating expenses.

Under GAAP, all rental payments, including fixed rent increases, less any rental abatement and other incentives are recognized on straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying statement of financial position.

As of September 30, 2018, future minimum lease payments due under the lease totaled \$51,400 for the year ended September 30, 2019.

**CONGRESSIONAL HUNGER CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

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5. Commitments and Contingencies (continued)

**Operating Lease (continued)**

Rent expense was \$140,425 for the year ended September 30, 2018.

**Concentration of Credit**

The Center maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of September 30, 2018, the balance exceeded the FDIC maximum insured limit by approximately \$848,000. The Center monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

**Major Grantor**

The Center receives a large percentage of its funding through an appropriation from the federal government. This appropriation is administered by the U.S. Department of Agriculture (USDA) through a Food and Nutrition Service award. The Center recognized federal grants of \$1,852,057, which represents approximately 59% of the Center's total revenue and support for the year ended September 30, 2018.

**Compliance Audit**

CHC has received federal grants that are subject to review, audit and adjustments by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursements to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although CHC expects such amounts, if any, to be insignificant.

6. In-Kind Contributions

For the year ended September 30, 2018, the Center received donated legal services totaling \$177,035. Donated legal services are included in non-operating activities as expenses netted against recoveries and other income in the accompanying statement of activities.

7. Retirement Plan

The Center adopted a salary deferral plan in accordance with Section 401(k) of the Internal Revenue Code (the IRC) (the Plan) whereby employees may elect to defer a portion of their annual salary. Employees who have completed at least one year of service and are at least

**CONGRESSIONAL HUNGER CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
For the Year Ended September 30, 2018**

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7. Retirement Plan (continued)

21 years of age are eligible to participate in the Plan. The Center makes matching contributions on behalf of eligible employees at a rate of 3%-4% of their compensation under the Plan. The Center contributed \$21,198 to the Plan for the year ended September 30, 2018.

8. Income Taxes

The Center is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. For the year ended September 30, 2018, no provision for income taxes was made, as the Center had no net unrelated business income.

The Center has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in Financial Accounting Standards Board Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Center evaluated its uncertainty in income taxes for the year ended September 30, 2018, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of September 30, 2018, the statute of limitations for tax years 2015 through 2017 remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Center files tax returns. It is the Center's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

9. Subsequent Events

In preparing these financial statements, the Center's management has evaluated events and transactions for potential recognition or disclosure through March 1, 2019, the date the financial statements were available to be issued.

On December 13, 2018, the Center entered into an amendment to its current office lease to extend the term for 12 months through January 31, 2020.

There were no other subsequent events that require recognition or disclosure in the financial statements.

**SUPPLEMENTARY INFORMATION**

CONGRESSIONAL HUNGER CENTER, INC.

SCHEDULE OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2018

	Program Services				Supporting Services				
	Emerson National Fellows	Leland International Fellows	Zero Hunger Academy	Anti-Hunger Corps Summit	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Fellow stipends	\$ 599,522	\$ 455,921	\$ -	\$ -	\$ 1,055,443	\$ -	\$ -	\$ -	\$ 1,055,443
Salaries and payroll taxes	161,819	165,591	19,987	8,064	355,461	325,108	55,042	380,150	735,611
Professional services	77,535	62,857	7,157	589	148,138	89,532	1,780	91,312	239,450
Training and events	54,203	50,586	-	12,438	117,227	7,730	36,896	44,626	161,853
Occupancy	30,936	31,274	3,786	1,531	67,527	72,898	-	72,898	140,425
Employee benefits	26,954	31,759	776	1,185	60,674	45,865	3,615	49,480	110,154
Travel and meetings	45,868	26,631	1,016	1,592	75,107	3,665	15	3,680	78,787
Supplies and office expense	7,299	4,807	193	348	12,647	10,989	2,614	13,603	26,250
Bad debt	-	-	-	-	-	-	16,500	16,500	16,500
Interest	-	-	-	-	-	15,507	-	15,507	15,507
Depreciation and amortization	4,824	3,912	119	48	8,903	1,967	329	2,296	11,199
Telephone	4,238	3,488	96	39	7,861	1,586	265	1,851	9,712
Insurance	4,153	3,368	103	41	7,665	1,693	283	1,976	9,641
Dues and subscriptions	3,806	3,087	94	38	7,025	2,000	260	2,260	9,285
<b>TOTAL EXPENSES</b>	<b>\$ 1,021,157</b>	<b>\$ 843,281</b>	<b>\$ 33,327</b>	<b>\$ 25,913</b>	<b>\$ 1,923,678</b>	<b>\$ 578,540</b>	<b>\$ 117,599</b>	<b>\$ 696,139</b>	<b>\$ 2,619,817</b>

See independent auditors' report on supplementary information.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Congressional Hunger Center, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Congressional Hunger Center, Inc. (the Center), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 1, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Continued  
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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Washington, DC  
March 1, 2019



**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY UNIFORM GUIDANCE**

To the Board of Directors of  
Congressional Hunger Center, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Congressional Hunger Center, Inc.'s (the Center) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended September 30, 2018. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Continued

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

### ***Other Matters***

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2018-001. Our opinion on the major federal program is not modified with respect to this matter.

The Center's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a significant deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding 2018-001.

The Center's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Marcum LLP*

Washington, DC

March 1, 2019

**CONGRESSIONAL HUNGER CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2018**

<b>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Bill Emerson National Hunger Fellows and Mickey Leland International Hunger Fellows Programs	10.593	N/A	\$ -	\$ 1,852,057
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			-	1,852,057
<b>U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</b>				
<i>Pass-Through from Action Against Hunger, USA</i>				
USAID Foreign Assistance for Programs Overseas	98.001	01B3P	-	125,483
<b>TOTAL U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT</b>			-	125,483
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ -	\$ 1,977,540

See accompanying notes to this schedule.

**CONGRESSIONAL HUNGER CENTER, INC.**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2018**

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1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Congressional Hunger Center, Inc. (the Center) under programs of the federal government for the year ended September 30, 2018. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

2. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rates

The Center has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

CONGRESSIONAL HUNGER CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2018

SECTION I – SUMMARY OF AUDITORS’ RESULTS

**Financial Statements**

Type of auditors’ report issued:   X   Unmodified        Qualified  
       Adverse        Disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

**Federal Awards**

Type of auditors’ report issued on compliance for major program(s):   X   Unmodified        Qualified  
       Adverse        Disclaimer

Internal control over major programs:

- Material weakness(es) identified?        Yes   X   No
- Significant deficiency(ies) identified?   X   Yes        None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR, 200 516(a)?   X   Yes        No

Identification of Major Program(s):

<u>CFDA #/Grant Number</u>	<u>Program Title</u>
10.593	Bill Emerson National Hunger Fellows and Mickey Leland International Hunger Fellows Programs

Dollar threshold used to distinguish between Type A and Type B programs:   \$ 750,000  

Auditee qualified as a low-risk auditee?        Yes   X   No

SECTION II – FINDINGS – FINANCIAL STATEMENT AUDIT

None required to be reported.

CONGRESSIONAL HUNGER CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2018

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SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT

**Finding No. 2018-001: Significant Deficiency – Suspension and Debarment – Internal Control and Compliance Finding**

U.S. Department of Agriculture, Bill Emerson National Fellows Program and Mickey Leland International Hunger Fellows Program, CHC-17-01 and CHC-18-01, CFDA No. 10.593

Criteria: Section 200.213 of the Uniform Guidance states that non-federal entities are subject to the non-procurement debarment and suspension regulations. These regulations restrict awards, subawards and contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs or activities.

Condition: There was no evidence or documentation to support that suspension and debarment verification procedures were being performed prior to Emerson National Hunger Fellows' contracts being signed during the year ended September 30, 2018.

Context: As part of our procurement testing over the Center's fellows contracts, we selected a sample of fellows contracts to review, and noted that none of the contracts reviewed included supporting documentation to establish that suspension and debarment verification was performed. Our sample indicated that procurement was not made to any fellows that were suspended or debarred from working with the federal government. Our sample was not a statistically valid sample.

Cause: The employee in charge of conducting the reviews did not follow Uniform Guidance requirements, indicating that the employee may not have received the proper training prior to performing his duties.

Effect: The Center did not have the appropriate internal controls over training in place to comply with the procurement requirements of the Uniform Guidance, which could lead to noncompliance with a specific compliance requirement.

Questioned Costs: None

Repeat Finding: No

Recommendation: We recommend that the Center establish enhanced internal control procedures and ensure that employees have the training required to ensure that all compliance requirements are properly adhered to. We also recommend that a review be documented by including a copy of

CONGRESSIONAL HUNGER CENTER, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2018

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT (continued)

**Finding No. 2018-001: Significant Deficiency – Suspension and Debarment – Internal Control and Compliance Finding (continued)**

the results of the search in the contract files. Specifically, we recommend that a suspension and debarment verification procedure be included as part of an onboarding checklist for all fellows, and that employees performing the fellows onboarding be trained regarding the procurement requirements of the Uniform Guidance.

Views of  
Responsible  
Officials and  
Planned

Corrective Action:

The Congressional Hunger Center has conducted training of staff on Uniform Guidance requirements and does have procedures in place to check that contractors have not been suspended or debarred. In the instance identified by our auditors, the procedures were not followed. An employee did not conduct a Sam.gov search for an incoming class of fellows, and no one verified the check had been conducted before paying the fellows as contractors. Sam.gov checks were historically stored in the fellows' electronic file.

Staff have already received additional training on the Congressional Hunger Center's Procurement Policy including suspension and debarment verification. All new staff will also receive training on Uniform Guidance.

Moving forward, paper copies of the Sam.gov verifications must be provided to the COO and Executive Director for review in advance of contracting with future fellows or any other contractors. A copy of the verification will be stored in both paper and electronic contract files.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

**FINANCIAL STATEMENT AUDIT FINDINGS**

*Finding No. 2017-001 – Fraud – Material Weakness in Internal Control – was remediated.*

*Finding No. 2017-002 – Compliance and Other Matters – Revenue Recognition Associated with Indirect Cost Recovery – was remediated.*

**MAJOR FEDERAL AWARD PROGRAMS AUDIT FINDINGS AND QUESTIONED COSTS**

*Finding No. 2017-003, CFDA No. 10.593 – Material Weakness – Fraud – was remediated.*

*Finding No. 2017-004, CFDA No. 10.593 – Compliance and Other Matters – Schedule of Expenditures of Federal Awards (SEFA) Reporting – was remediated.*