

**Office of Inspector General
Corporation for National and
Community Service**

**AUDIT OF THE
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE'S
FISCAL YEAR 2013 FINANCIAL STATEMENTS**

OIG REPORT 14-01

Office of Inspector General

Corporation for
**NATIONAL &
COMMUNITY
SERVICE** 

Prepared by:

Kearney & Company, P.C.
1701 Duke Street, Suite 500
Alexandria, Virginia 22314

This report was issued to Corporation management on December 16, 2013. Under the laws and regulations governing audit follow up, the Corporation is to make final management decisions on the report's findings and recommendations no later than June 16, 2014, and complete its corrective actions by December 16, 2014. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



December 16, 2013

TO: Wendy Spencer
Chief Executive Officer

FROM: Stuart Axenfeld /s/
Assistant Inspector General for Audit

SUBJECT: Audit of the Corporation for National and Community Service's
Fiscal Year 2013 Financial Statements, OIG Report 14-01

We contracted with the independent certified public accounting firm of Kearney & Company, P.C. (Kearney) to audit the consolidated financial statements of the Corporation for National and Community Service (Corporation) as of September 30, 2013 and 2012, and for the years then ended. The contract required that the audit be performed in accordance with the *Government Auditing Standards*.

In its audit, Kearney found:

- The financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- No material weaknesses in the Corporation's internal control over financial reporting; and
- No instances of noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements.

Kearney is responsible for the attached independent auditor's reports, dated December 16, 2013, and the conclusions expressed therein. The Office of Inspector General does not express an opinion on the Corporation's financial statements, or Kearney's conclusions about the Corporation's internal control over financial reporting or compliance with applicable provisions of laws, regulations, contracts, and grant agreements.

Attachment

cc: Asim Mishra, Chief of Staff
Kim Mansaray, Acting Chief Operating Officer
David Rebich, Chief Financial Officer
Philip Clark, Chief Information Officer
Rocco Gaudio, Deputy CFO for Grants and Field Financial Management Center
Douglas Hilton, Director, Office of Accountability and Oversight
David Zavada, Engagement Partner, Kearney & Company, P.C.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Inspector General of the Corporation for National and Community Service

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Corporation for National and Community Service (the Corporation), which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, the related consolidated statements of operations and changes in net position, the consolidated statements of cash flows, and the combined statements of budgetary resources (SBR) (hereinafter referred to as the "financial statements") for the years 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 the 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2013 and 2012, and its net cost of operations, changes in net position, cash flows, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

A 2004 Executive Order, entitled “National and Community Service Programs” (E.O. 13331), requires a statement of assurance in the Corporation’s Management Representation Letter by the Chief Executive Officer and Chief Financial Officer that its financial statements, including the SBR, are accurate and reliable. The Corporation has interpreted this requirement to include presenting the SBR as a principal financial statement. The Corporation’s SBR is prepared in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Corporation reclassified certain amounts in the prior year’s combined SBR to conform to the current year’s presentation. These reclassifications had no effect on the previously reported Statements of Budgetary Resources balances.

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis (hereinafter referred to as the “required supplementary information”) be presented to supplement the financial statements. This information, although not a part of the financial statements, is required by the OMB and the Federal Accounting Standards Advisory Board, who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, and/or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These procedures included inquiries of management about the methods used in preparing the information and comparing it for consistency with management’s responses to our inquiries, the financial statements, and other knowledge we obtained during our audits. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the Donations and Contributions, National Service Trust Fund (Trust) Status Report – September 2013, and Improper Payments sections of the fiscal year 2013 Agency Financial Report is presented for purposes of additional analysis and is not a required part of the financial statements. Except as described below, such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Certain information from the Trust Status Report – September 2013 statements of financial position, related statements of operations and changes in net position, statements of cash flows and combined statements of budgetary resources (hereinafter referred to as the “Trust financial statements”), as of September 30, 2013, is presented as other information. In accordance with the requirements of the National and Community Service Act of 1990, as amended, we performed a separate audit of the Trust financial statements and issued a report thereon, dated December 16, 2013.

Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance with Applicable Provisions of Laws, Regulations, Contracts, and Grant Agreements

In accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02, we have also issued a report, dated December 16, 2013, on our consideration of the Corporation’s internal control over financial reporting and our tests of the Corporation’s compliance with certain provisions of laws, regulations, contracts, and grant agreements; and other matters for the year ended September 30, 2013. The purpose of that report is 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 internal control over financial reporting, or on compliance and other matters. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02, and in considering the Corporation’s internal control over financial reporting and compliance.



Alexandria, Virginia
December 16, 2013

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

**FISCAL YEAR 2013 AND 2012
CONSOLIDATED FINANCIAL STATEMENTS**

(Extracted From Fiscal Year 2013 Agency Financial Report)

Corporation for National and Community Service

Consolidated Statements of Financial Position as of September 30 *(dollars in thousands)*

Assets	2013	2012
Fund Balance with Treasury (Note 2)	\$ 914,224	\$ 965,928
Trust Investments and Related Receivables (Note 3)	693,165	638,565
Advances to Others	56,000	57,298
Accounts Receivable, Net (Note 4)	9,601	8,483
Property and Equipment, Net (Note 5)	3,346	1,610
Total Assets	<u>\$ 1,676,336</u>	<u>\$ 1,671,884</u>
Liabilities		
Trust Service Award Liability (Note 6)	\$ 464,274	\$ 447,191
Grants Payable	103,125	100,791
Accounts Payable	4,466	2,860
Actuarial FECA Liability (Note 8)	9,702	9,783
Advances from Others	46,121	33,696
Accrued Annual Leave	4,129	4,140
Other Liabilities	12,042	14,220
Total Liabilities	<u>643,859</u>	<u>612,681</u>
Contingencies (Note 14)	—	—
NET POSITION (Note 9)	<u>\$ 1,032,477</u>	<u>\$ 1,059,203</u>
Total Liabilities and Net Position	<u>\$ 1,676,336</u>	<u>\$ 1,671,884</u>

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

Corporation for National and Community Service

Consolidated Statements of Operations and Changes in Net Position for the Periods Ended September 30 *(dollars in thousands)*

Revenue	2013	2012
Appropriated Capital Used	\$ 808,085	\$ 824,684
Appropriations Received by the National Service Trust (Note 10)	223,568	211,916
Interest	3,133	4,434
Revenue from Services Provided	34,816	18,834
Other	17,231	13,953
Total Revenue	\$ 1,086,833	\$ 1,073,821
Expenses		
AmeriCorps	\$ 778,211	\$ 792,475
SeniorCorps	223,235	222,315
Learn and Serve America	6,048	17,801
Innovation, Demonstration and Assistance Activities	47,355	34,748
Office of the Inspector General	3,392	5,241
Total Expenses (Note 11)	1,058,241	1,072,580
Net of Revenue Over Expenses	\$ 28,592	\$ 1,241
Net Position		
Net of Revenue over Expenses	\$ 28,592	\$ 1,241
Increase/(Decrease) in Unexpended Appropriations, Net (Note 13)	(55,318)	(11,257)
Increase/(Decrease) in Net Position, Net	(26,726)	(10,016)
Net Position, Beginning Balance	1,059,203	1,069,219
Net Position, Ending Balance (Note 9)	\$ 1,032,477	\$ 1,059,203

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

Corporation for National and Community Service

Consolidated Statements of Cash Flows for the Periods Ended September 30 *(dollars in thousands)*

CASH FLOWS FROM OPERATING ACTIVITIES	2013	2012
Net of Revenue over Expenses	\$ 28,592	\$ 1,241
Adjustments Affecting Cash Flow:		
Depreciation, Amortization, and Loss on Disposition of Assets	801	88
Amortization of Premium/Discount on Investments	1,795	(2,811)
Appropriated Capital Used	(808,085)	(824,684)
Appropriations Received in Trust	(223,568)	(211,916)
Decrease/(Increase) in Accounts Receivable	(1,118)	(876)
Decrease/(Increase) in Interest Receivable	136	385
Decrease/(Increase) in Advances to Others	1,298	7,644
Increase/(Decrease) in Accounts Payable and Other Liabilities	(571)	3,031
Increase/(Decrease) in Advances from Others	12,425	33,629
Increase/(Decrease) in FECA and Annual Leave Liabilities	(92)	710
Increase/(Decrease) in Trust Liability	17,083	36,930
Increase/(Decrease) in Grants Payable	2,334	(14,406)
Total Adjustments	(997,562)	(972,276)
Net Cash Provided/(Used) by Operating Activities	(968,970)	(971,035)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Securities	729,799	831,264
Purchase of Assets	(2,537)	(772)
Purchase of Securities	(786,331)	(861,742)
Net Cash Provided/(Used) in Investing Activities	(59,069)	(31,250)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received, Net of Trust	1,048,884	1,050,870
Rescissions and Cancellations	(72,549)	(25,527)
Net Cash Provided by Financing Activities	976,335	1,025,343
Net Increase/(Decrease) in Fund Balance with Treasury	(51,704)	23,058
Fund Balance with Treasury, Beginning	965,928	942,870
Fund Balance with Treasury, Ending	\$ 914,224	965,928

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

Corporation for National and Community Service

Combined Statements of Budgetary Resources for the Periods Ended September 30 *(dollars in thousands)*

BUDGETARY RESOURCES	2013	2012
Unobligated balance, brought forward, October 1	\$ 205,105	\$ 156,728
Adjustment to unobligated balance brought forward, Oct 1	(5)	-
Unobligated balance brought forward, Oct 1, as adjusted	205,100	156,728
Recoveries of prior year unpaid obligations	33,850	28,175
Other changes in unobligated balance (+ or -)	(17,692)	(23,546)
Unobligated balance from prior year budget authority, net	221,258	161,357
Budget authority:		
Appropriation Discretionary	1,048,884	1,050,870
Appropriation (special or trust fund)	223,770	212,122
Permanent Reduction – New Budget Authority	(54,857)	(1,986)
Appropriation Discretionary (total)	1,217,797	1,261,006
Appropriation Mandatory (special or trust fund)	1,295	3,856
Appropriations (discretionary and mandatory)	1,219,092	1,264,862
Spending authority from offsetting collections:		
Spending Authority from offsetting collections (total)	52,845	54,547
Total budgetary resources	\$ 1,493,195	\$ 1,480,766
STATUS OF BUDGETARY RESOURCES		
Obligations incurred		
Obligations incurred (total) (Note 17)	\$ 1,279,940	\$ 1,275,661
Unobligated balance		
Apportioned	52,837	35,030
Unobligated balance not available	160,418	170,075
Total unobligated balance, end of year	213,255	205,105
Total budgetary resources	\$ 1,493,195	\$ 1,480,766

*(Continued)**The accompanying notes are an integral part of these financial statements.*

(Continued)

Corporation for National and Community Service

Combined Statements of Budgetary Resources for the Periods Ended September 30 *(dollars in thousands)*

CHANGE IN OBLIGATED BALANCE	2013	2012
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$ 1,393,997	\$ 1,387,883
Obligations incurred	1,279,941	1,275,661
Outlays (gross) (-)	(1,252,314)	(1,241,372)
Recoveries of prior year unpaid obligations, actual	(33,845)	(28,175)
Unpaid Obligations, end of year	1,387,779	1,393,997
Uncollected Payments:		
Uncollected payments, Federal Sources, brought forward, October 1	(106)	(539)
Change in uncollected customer payments, Federal sources	2	433
Uncollected payments, Federal Sources, end of year	(104)	(106)
Memorandum entries:		
Obligated balance, start of year	\$ 1,393,891	\$ 1,387,344
Obligated balance, end of year	\$ 1,387,675	\$ 1,393,891
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 1,271,937	\$ 1,319,409
Actual offsetting collections	(52,847)	(54,980)
Change in uncollected customer payments from federal sources	2	433
Budget authority, net (discretionary and mandatory)	\$ 1,219,092	\$ 1,264,862
Outlay, gross (discretionary and mandatory)	1,252,314	1,241,372
Actual offsetting collections	(52,847)	(54,980)
Outlays, net (discretionary and mandatory)	1,199,467	1,186,392
Distributed offsetting receipts	(224,088)	(213,058)
Agency Outlays, net (discretionary and mandatory)	\$ 975,379	\$ 973,334

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

NOTE 1—Summary of Significant Accounting Policies

A. REPORTING ENTITY

The Corporation for National and Community Service (CNCS) was created by the National and Community Service Trust Act of 1993 (Public Law 103-82). CNCS' mission is to improve lives, strengthen communities, and foster civic engagement through service and volunteering. To meet its mission, CNCS provides grants and other assistance to states, local municipalities, and nonprofit organizations to help communities meet critical challenges in the areas of education, healthy futures, environmental stewardship, economic opportunity, disaster services, and assisting veterans and military families through volunteer service. CNCS' major programs are:

Senior Corps. Senior Corps offers a network of programs that tap into the rich experience, skills and talents of older citizens to meet community challenges. Senior Corps comprises the RSVP, the Foster Grandparent Program, and the Senior Companion Program.

AmeriCorps. AmeriCorps provides opportunities for Americans to make an ongoing, intensive commitment to service through the following programs:

- State, National, Tribes, and Territories (State and National) offers grants supporting a broad range of local service programs that engage thousands of Americans in intensive service to meet critical community needs;
- AmeriCorps Volunteers in Service to America (VISTA) helps community organizations and public agencies create and expand programs that build capacity and ultimately bring low-income individuals and communities out of poverty; and
- National Civilian Community Corps (NCCC) strengthens communities while developing leaders through direct, team-based national and community service.

CNCS, for the most part, administered its programs in fiscal year 2013 from the following funds:

Trust and Gift Funds:

- National Service Trust (the Trust), from which CNCS provided education awards and interest forbearance for volunteers under the AmeriCorps State and National; NCCC; and VISTA programs.
- Gifts and Contributions, into which CNCS deposited qualified gifts and contributions from individuals and organizations from which approved expenditures are made furthering CNCS' goals.

Appropriated Funds:

- Operating Expenses, from which the Corporation funded Senior Corps, AmeriCorps and other program activity.

- Salaries and Expenses, from which the Corporation funded its general administrative expenses.
- Office of Inspector General, from which CNCS funded the expenses of the OIG.
- AmeriCorps VISTA Advance Payment Revolving Fund, from which CNCS paid the living allowances for AmeriCorps VISTA members enrolled under cost share agreements with sponsoring organizations. CNCS is reimbursed for these costs by the sponsoring organization. Despite the account title, the AmeriCorps VISTA Advance Payment Revolving Fund is not a revolving fund, but rather a general fund expenditure account.

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Recovery Act included funding for the use of CNCS to support an expansion of the AmeriCorps State and National and VISTA programs. As a result of the passage of the Recovery Act, three additional appropriated funds were established:

- Operating Expenses, Recovery Act, from which CNCS funded the increased AmeriCorps State and National and VISTA membership as a result of the Recovery Act.
- Salaries and Expenses, Recovery Act, which funded CNCS' expenses to improve IT systems and administer the increased AmeriCorps State and National and VISTA membership.
- Office of Inspector General, Recovery Act, from which CNCS funded the expenses of the OIG's Recovery Act oversight responsibilities.

B. BASIS OF ACCOUNTING

The accompanying financial Statements include all funds administered by CNCS, as delineated in Note 1A—Reporting Entity. They include CNCS' activities related to providing grants and other assistance to eligible states, local governments, and nonprofit organizations as well as education awards to eligible national service participants. All significant intra-entity transactions and balances are eliminated in consolidation.

C. FINANCIAL STATEMENT PRESENTATION AND CONSOLIDATION POLICY

The accompanying financial statements report CNCS' financial position, results of operations, and cash flows, as required by the Government Corporation Control Act (GCCA). As required by GCCA, the principal financial statements of CNCS are the:

- Statement of Financial Position, which reports the status of Corporation assets, liabilities, and net position;
- Statement of Operations and Changes in Net Position, which reports CNCS' revenues and expenses for the year and the changes in net position that occurred during the year; and

- Statement of Cash Flows, which shows how changes in CNCS' financial position and results affected its cash (Fund Balance with Treasury), and breaks the analysis down according to operating, investing, and financing activities.

The financial statements are presented in accordance with the accounting principles generally accepted in the United States of America (GAAP), as applicable to federal government corporations. The Federal Accounting Standards Advisory Board (FASAB) is the standard setting body for the federal government. Statement of Federal Financial Accounting Standards Number 34 (SFFAS 34) provides that financial statements prepared by certain government corporations in conformity with the accounting standards issued by the Financial Accounting Standards Board (FASB) are regarded as being in conformity with GAAP. As provided by SFFAS 34, where there is no standard issued by FASB applicable to the federal corporation the financial statements are presented in accordance with the accounting standards issued by FASAB.

In addition, under Executive Order 13331, National and Community Service Programs, CNCS must prepare a Combined Statement of Budgetary Resources as a principal statement. The accompanying Combined Statements of Budgetary Resources have been prepared in accordance with GAAP, as prescribed by FASAB. The Combined Statement of Budgetary Resources presents additional details to include activity that is significant to the CNCS.

CNCS' consolidation policy requires the consolidation of all funds administered by CNCS, as delineated in Note 1A—Reporting Entity.

D. BUDGETS AND BUDGETARY ACCOUNTING

The activities of CNCS are primarily funded through the annual Departments of Labor, Health and Human Services, Education and Related Agencies Appropriation Act. CNCS' accounting structure reflects both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the actual collection or payment of cash. Federal budgetary accounting recognizes the obligation of appropriations and other funds upon the establishment of a properly documented legal liability, which, in many cases, is different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds.

E. ASSET AND LIABILITY VALUATION

CNCS values its investments at carrying value and discloses fair value. As of September 30, 2013, the carrying amounts of Fund Balance with Treasury, Accounts Receivable, Advances to Others, Accrued Interest Receivable, Accounts Payable and Other Liabilities approximate their fair value.

F. FUND BALANCE WITH TREASURY

CNCS considers Fund Balance with Treasury (FBWT) to represent cash and cash equivalents. It is CNCS' cash accounts with the Department of the Treasury (the Treasury). The Treasury processes cash receipts and disbursements on behalf of CNCS and CNCS' accounting records are reconciled with those of the Treasury on a regular basis. CNCS' FBWT includes all of its appropriated and trust funds.

The FBWT maintained in the National Service Trust is restricted to specific purposes, such as paying service awards earned by eligible participants, and is not available for use in the current operations of CNCS. In addition, the majority of the funds received from individuals and organizations for deposit in the Gifts and Contributions fund are restricted for particular uses, such as service projects.

G. INVESTMENTS AND RELATED RECEIVABLES

By law, CNCS may invest the funds of the National Service Trust in interest-bearing Treasury securities guaranteed by the United States as to principal and interest. These Treasury securities are referred to as "market-based," since they mirror actual Treasury securities sold on the open market. They consist of Treasury notes, bonds, bills and one-day certificates.

Since they are expected to be held-to-maturity, CNCS' investments are valued at cost and adjusted for the amortization of premiums and discounts. The premiums and discounts are recognized as adjustments to interest income, using the effective interest method. Interest receivable represents amounts earned, but not received on investments held at year-end. Prepaid interest is the amount of interest earned on a security since the date of its last interest payment, up to the date the security is purchased by CNCS. Such interest, if any, at year-end is included in the interest receivable balance.

H. CASH EQUIVALENTS

For purposes of the statement of cash flows, CNCS considers all interest-bearing Treasury securities guaranteed by the United States to be cash equivalents.

I. ADVANCES TO OTHERS

CNCS advances funds to non-federal entities, primarily in response to grantee drawdown requests, to facilitate their authorized service activities. The cash payments to grantees, in excess of amounts appropriately expended under the terms of the grant agreements, are accounted for as advances. At the end of the fiscal year, the total amount advanced to grantees is compared with the total CNCS-funded amount of grant expenses properly incurred by the grantees. Grantee expenses are determined from reports submitted by the grantees. For those grantees with advances exceeding expenses, the aggregate difference is reported as the advance account balance.

J. ACCOUNTS RECEIVABLE

Accounts receivable represents amounts due to CNCS primarily under federal and non-federal reimbursable agreements, grantee audit resolution determinations, and outstanding travel advances due from employees. An allowance for doubtful accounts is established for reporting purposes based on past experience.

K. PROPERTY AND EQUIPMENT

Property and Equipment is stated at full cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation (or amortization). Normal maintenance and repair costs on capitalized property and equipment are expensed when incurred.

CNCS' general policy is to capitalize Property and Equipment if the initial acquisition price is \$50 thousand or more. Property and equipment with an estimated useful life that extends beyond the year of acquisition is capitalized at historical cost and is depreciated (or amortized) on a straight-line basis over estimated useful lives ranging from two to 10 years.

L. TRUST SERVICE AWARD LIABILITY

The Trust Service Award Liability represents unpaid earned, and expected to be earned, education awards and eligible student loan interest forbearance costs expected to be used. These amounts relate to participants who have completed service or are currently enrolled in the program and are expected to earn an award, based on CNCS' historical experience.

M. GRANTS PAYABLE

CNCS awards grants to nonprofit organizations, educational institutions, states, municipalities, and other external organizations. Grants become budgetary obligations, but not liabilities, at the time they are awarded.

Although most grantees request funds prior to incurring expenses, some incur expenditures prior to initiating a request for disbursement, based on the nature of the expenditures. At the end of the fiscal year, CNCS computes and reports an estimate of the amount of unreimbursed grantee expenses as grants payable. This accrual is based on an analysis of the amounts actually disbursed to grantees in the third quarter.

N. ACCOUNTS PAYABLE

CNCS records as liabilities all amounts that are likely to be paid as a direct result of a transaction or event that has already occurred. Accounts payable represents amounts due to external entities for goods and services received by CNCS, but not paid for at the end of the fiscal year.

O. ACTUARIAL FECA LIABILITY

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees,

AmeriCorps NCCC and VISTA members injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Corporation employees and members under FECA are determined and paid by the Department of Labor (DOL) and later billed to CNCS. CNCS' actuarial liability for workers' compensation includes costs incurred, but unbilled as of year-end, as calculated by DOL. CNCS reimburses DOL for FECA claims out of current appropriations upon receipt of a bill from DOL.

P. OTHER LIABILITIES

Other liabilities include amounts owed but not paid at the end of the fiscal year for payroll and benefits, AmeriCorps VISTA stipends, the amount of claims for benefits for Corporation employees under FECA that have been paid by DOL and billed to CNCS but have not yet been reimbursed to DOL, and imputed costs for future retirement and health care benefits as determined by an Office of Personnel Management calculation.

Q. ACCRUED ANNUAL LEAVE

Annual leave is accrued as a liability based on amounts earned but not used as of the fiscal year-end. Each year, the balance in the accrued annual leave account is adjusted to reflect current year pay rates and leave balances. Annual leave is funded from current appropriations when used. As unused annual leave is used in the future, financing will be obtained from appropriations current at that time. Sick leave and other types of non-vested leave are also expensed when used.

R. ADVANCES FROM OTHERS

Advances from others consist of advances from other federal agencies and the public related to interagency and cost share agreements into which CNCS entered to provide services.

S. NET POSITION

Net Position represents Net Assets. It is comprised of CNCS' unexpended appropriations and its cumulative results of operations. Unexpended appropriations reflect the balance of appropriated authority granted to CNCS against which no outlays have been made. Cumulative results of operations represent the net differences between revenues and expenses from the inception of CNCS.

T. REVENUE RECOGNITION

Appropriated Capital Used. CNCS recognizes its use of appropriated capital as revenue at the time it is expended or accrued to pay program or administrative expenses. Appropriations expended for property and equipment are recognized as used when the property is purchased. Appropriated capital not expended within five fiscal years after it became available for obligation is cancelled. Unpaid obligations recorded against cancelled appropriated capital are paid from currently available

appropriated funds as payments become due. Appropriations received for CNCS' Trust are recognized as revenue when received in the Trust Fund. Trust appropriations do not expire with the passage of time and are retained by CNCS in the Trust until used for eligible education service award purposes.

Interest on Investments. Interest income is recognized when earned. Treasury notes and bonds pay interest semi-annually, based on the stated rate of interest. Interest on Treasury bills is paid at maturity. Interest income is adjusted by amortization of premiums and discounts using the effective interest method.

Revenue from Services Provided. CNCS also receives income from reimbursable service agreements that is recorded as revenue from services provided. Revenue from services provided is recognized when earned, i.e., goods have been delivered or services rendered.

Gifts and Donations. Revenue is recognized at the time gifts and donations are received and deposited in the Treasury to the credit of the Gifts and Contributions Fund.

U. RETIREMENT BENEFITS

CNCS' employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 elected to join FERS and Social Security or remained in the CSRS.

For employees covered by CSRS, CNCS contributes 7.0 percent of their basic pay. For those employees covered by FERS, CNCS contributes 11.2 percent of their gross pay towards retirement. Employees are allowed to participate in the Federal Thrift Savings Plan (TSP). For employees under FERS, CNCS contributes an automatic one percent of basic pay to TSP and matches employee contributions up to an additional 4 percent of pay, for a maximum CNCS contribution amounting to 5 percent of pay. Employees under CSRS may participate in the TSP, but will not receive either CNCS' automatic or matching contributions.

V. INCOME TAXES

As a federal entity, CNCS is exempt from all income taxes imposed by any governing body, Federal, State, commonwealth, local, or foreign government.

W. USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires CNCS to make estimates and assumptions about future events. These estimates and assumptions affect the amounts reported in CNCS' financial statements and accompanying notes. CNCS evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that it believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made when facts and circumstances warrant. As future events and their effects cannot be determined with certainty, actual results could differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the liability for service awards, grants payable, and grant advances.

X. Comparative Data

CNCS financial statements provide comparative information for FY 2013 and 2012. Certain prior year amounts have been reclassified to conform to current year presentation and better reflect CNCS' operations under its reauthorization. Specifically, the Statement of Budgetary Resources was realigned as prescribed by FASAB. In addition, amounts presented on the Statement of Budgetary Resources as Refunds and Recoveries temporarily precluded from obligations in the prior year were adjusted per OMB guidance and are reflected as Adjustment to unobligated balance brought forward, Oct 1 for the period ended September 30, 2013.

Y. CONCENTRATION OF RISKS

Congress annually considers whether to fund CNCS' program and operational activities. Should Congress opt not to enact appropriations to fund them, CNCS would be unable to continue operations. Corporation management believes the risk of such an occurrence is remote.

NOTE 2—Fund Balance with Treasury

U.S. Government cash is accounted for on an overall consolidated basis by the U.S. Department of Treasury. The Fund Balance with Treasury line on the Statement of Financial Position consists of the following:

Appropriated Funds—Appropriated funds are received through congressional appropriations to provide financing sources for CNCS' programs on an annual, multi-year, and no-year basis.

Trust Funds—Trust funds are accounts designated by law for receipts earmarked for specific purposes and for the expenditure of these receipts.

Funds from the National Service Trust may be expended for the purpose of providing an education award or student loan interest forbearance payment and are made directly to a qualified institution (college, university, or other approved educational institution, or a lending institution holding an existing student loan) as designated by the participant. The National Service Trust also pays awards under the President's Freedom Scholarship, Summer of Service, and Silver Scholar programs.

Gift Funds—Gift Funds are funds received from individuals and organizations as donations in furtherance of the purposes of national service laws.

Fund Balance with Treasury as of September 30, 2013 *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 912,962	\$ -	\$ 912,962
Trust Funds	-	611	611
Gift Funds	-	651	651
Total	\$ 912,962	\$ 1,262	\$ 914,224

Fund Balance with Treasury as of September 30, 2012 *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 960,310	\$ -	\$ 960,310
Trust Funds	-	4,951	4,951
Gift Funds	-	667	667
Total	\$ 960,310	\$ 5,618	\$ 965,928

NOTE 2—Fund Balance with Treasury—Continued**Unexpended Balances as of September 30, 2013** *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
FBWT	\$ 912,962	\$ 1,262	\$ 914,224
Investments and Related Receivables	-	693,165	693,165
Total	\$ 912,962	\$ 694,427	\$1,607,389

Status of Unexpended Balances as of September 30, 2013 *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Unobligated:			
Available	\$ 117,527	\$ 51,990	\$ 169,517
Unavailable	-	50,197	50,197
Obligated not yet Disbursed	795,435	592,240	1,387,675
Total	\$ 912,962	\$ 694,427	\$1,607,389

Unexpended Balances as of September 30, 2012 *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
FBWT	\$ 960,310	\$ 5,618	\$ 965,928
Investments and Related Receivables	-	638,565	638,565
Total	\$ 960,310	\$ 644,183	\$1,604,493

Status of Unexpended Balances as of September 30, 2012 *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Unobligated:			
Available	\$ 130,960	\$ 79,642	\$ 210,602
Unavailable	-	-	-
Obligated not yet Disbursed	829,350	564,541	1,393,891
Total	\$ 960,310	\$ 644,183	\$1,604,493

NOTE 3—National Service Trust Investments and Related Receivables

The composition of National Service Trust Investments and Related receivables at September 30 is as follows:

Investments and Related Receivables as of September 30 *(dollars in thousands)*

	2013	2012
Investments, Carrying Value	\$ 692,243	\$ 637,507
Interest Receivable	922	1,058
Total	\$ 693,165	\$ 638,565

Amortized Cost and Fair Value of Investment Securities as of September 30, 2013 *(dollars in thousands)*

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 512,220	\$ 1,560	\$ 513,780
Bills	180,023	11	180,034
Total	\$ 692,243	\$ 1,571	\$ 693,814

Amortized Cost and Fair Value of Investment Securities as of September 30, 2012 *(dollars in thousands)*

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 477,115	\$ 3,045	\$ 480,160
Bills	160,392	5	160,397
Total	\$ 637,507	\$ 3,050	\$ 640,557

At September 30, 2013, the notes held at year-end had an interest rate range of 0.250 percent to 4.25 percent and an outstanding maturity period of approximately seven days to three years. The bills held at year-end had an interest rate range of 0.000 percent to 0.175 percent and were all due to mature within 364 days. The par values of these bills range from \$.2 million to \$33.0 million. The fair value of the bills and notes is based on bid and ask prices quoted by the Treasury as of September 30, 2013 and 2012.

Since fiscal 2003, CNCS has set aside in reserve a portion of the funds in the National Service Trust for use in the event that its estimates used to calculate obligational amounts for education awards prove to be too low. This reserve was originally required by the Strengthen AmeriCorps Program Act, and is now required by section 149(b) of the National and Community Service Act (42 U.S.C. 12606(b)). As of September 30, 2013, \$50.2 million of CNCS' investment account has been set aside for this reserve.

NOTE 3—Trust Investments and Related Receivables—Continued

Investments held at September 30 mature according to the following schedule:

Maturation of Securities Held as of September 30 *(dollars in thousands)*

	2013		2012	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Held-to-Maturity Securities				
Due in 1 year or less	\$ 441,185	\$ 441,710	\$ 327,537	\$ 327,780
Due after 1 year up to 5 years	251,058	252,104	309,970	312,777
Total	\$ 692,243	\$ 693,814	\$ 637,507	\$ 640,557

NOTE 4 – Accounts Receivables, Net**Accounts Receivable as of September 30** *(dollars in thousands)*

	Appropriated Funds	Trust Fund	Total
2013			
Accounts receivable	\$ 9,962	\$ 281	\$ 10,243
Less: allowance for loss on receivables	(595)	(47)	(642)
Accounts Receivable, Net	\$ 9,367	\$ 234	\$ 9,601
2012			
Accounts receivable	\$ 8,616	\$ 289	\$ 8,905
Less: allowance for loss on receivables	(384)	(38)	(422)
Accounts Receivable, Net	\$ 8,232	\$ 251	\$ 8,483

NOTE 5—Property and Equipment, Net**General Property and Equipment as of September 30, 2013** *(dollars in thousands)*

Major Class	Service Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Equipment	3 - 10	\$ 2,586	\$ (2,065)	\$ 521
ADP software	2	11,983	(9,158)	2,825
Total		\$ 14,569	\$ (11,223)	\$ 3,346

NOTE 5—Property and Equipment, Net—Continued**General Property and Equipment as of September 30, 2012** *(dollars in thousands)*

Major Class	Service Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Equipment	3 - 10	\$ 2,586	\$ (1,863)	\$ 723
ADP software	2	9,446	(8,559)	887
Total		\$ 12,032	\$ (10,422)	\$ 1,610

Depreciation Expense for the period ending September 30 *(dollars in thousands)*

Major Class	2013	2012
Equipment	\$ 202	\$ (208)
ADP software	599	296
Total	\$ 801	\$ 88

NOTE 6—Trust Service Award Liability

Individuals who successfully complete terms of service in AmeriCorps programs earn education awards, which can be used to make payments on qualified student loans or for educational expenses at qualified educational institutions. The awards, which are available to use for a period of up to seven years after the benefit has been earned, are paid from the National Service Trust. The National Service Trust also pays

forbearance interest on qualified student loans during the period members perform community service, as well as awards under the Presidential Freedom Scholarship Program. The award liability components related to education awards and interest forbearance have been adjusted, based on historical experience, to reflect the fact that some eligible participants may not use these benefits. The Service Award was composed of the following as of September 30:

Service Award Liability as of September 30 *(dollars in thousands)*

	2013	2012
Education awards	\$ 2,301,708	\$ 2,109,437
Interest forbearance	79,604	72,256
President's Freedom Scholarship Program	<u>22,527</u>	<u>22,527</u>
Total estimated service award liability	2,403,839	2,204,220
Less: cumulative awards paid	<u>1,939,565</u>	<u>1,757,029</u>
Total	<u>\$ 464,274</u>	<u>\$ 447,191</u>

The net Service Award Liability as of September 30, 2013 increased by approximately \$17.1 million from the net Service Award Liability as of September 30, 2012. This change was largely due to new member enrollments related to FEMA Corps and an increase in the number of members still serving during the year. Past CNCS appropriations made amounts from the National Service Trust available for \$1,000 scholarships for high school students known as Presidential Freedom Scholarships. To fund each scholarship, a local community or corporate source matched the \$500 portion of the scholarship provided by CNCS. The program was discontinued in fiscal 2007; however, because students have up to seven years to use the scholarship, some payments will continue to be made through FY 2014. As of October 1, 2009, the National Service Trust is also available to pay Summer of Service and Silver Scholar educational awards. However, the Silver Scholar program was not funded and no current

liability was accrued for those educational awards. The Summer of Service program was only funded in FY 2010.

NOTE 7—Operating Leases

CNCS leases office space through the General Services Administration (GSA). GSA charges CNCS a Standard Level Users Charge that approximates commercial rental rates for similar properties. The NCCC also leases housing and other facilities for its campuses. Additionally, CNCS leases motor vehicles on an annual basis through GSA under an Interagency Fleet Management Service agreement for the NCCC. The leases are renewable with no purchase or escalation clause. The following schedule presents future minimum rental commitments under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of September 30.

Estimated Operating Lease Commitments as of September 30 *(dollars in thousands)*

Fiscal Year	2013				2012			
	Facilities Space	Vehicles	Other	Total	Facilities Space	Vehicles	Other	Total
2013	\$ -	\$ -	\$ -	\$ -	\$ 9,861	\$ 766	\$ 339	\$ 10,966
2014	10,059	953	354	11,366	9,846	788	294	10,928
2015	10,115	873	303	11,291	10,151	819	279	11,249
2016	10,401	874	287	11,562	10,465	851	272	11,588
2017	10,696	733	287	11,716	10,790	884	272	11,946
2018	<u>11,000</u>	<u>750</u>	<u>287</u>	<u>12,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 52,271</u>	<u>\$ 4,183</u>	<u>\$ 1,518</u>	<u>57,972</u>	<u>\$ 51,113</u>	<u>\$ 4,108</u>	<u>\$ 1,456</u>	<u>\$ 56,677</u>

NOTE 8—Actuarial FECA Liability

CNCS' actuarial liability for future workers' compensation benefits under FECA was \$9.7 and \$9.8 million as of September 30, 2013 and 2012, respectively. The amount includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. As with all federal agencies CNCS' FECA liability is determined by the Department of Labor. The actuarial liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that

period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the Office of Management and Budget's economic assumptions for ten-year Treasury notes and bonds.

NOTE 9—Net Positions

Net position consists of unexpended appropriations and cumulative results of operations. Component balances are separately maintained for the Gift Fund, Trust Fund and Appropriated Funds.

Net Position by Fund Balance Component as of September 30, 2013 *(dollars in thousands)*

	Gift Fund	Trust Fund	Appropriated Funds	Total
Unexpended appropriations	\$ -	\$ -	\$ 809,513	\$ 809,513
Cumulative results of operations	644	229,736	(7,416)	222,964
Total Net Position	\$ 644	\$ 229,736	\$ 802,097	\$ 1,032,477

Net Position by Fund Balance Component as of September 30, 2012 *(dollars in thousands)*

	Gift Funds	Trust Funds	Appropriated Funds	Total
Unexpended appropriations	\$ 28	\$ -	\$ 864,803	\$ 864,831
Cumulative results of operations	633	196,576	(2,837)	194,372
Total Net Position	\$ 661	\$ 196,576	\$ 861,966	\$ 1,059,203

CNCS is required to report information regarding its financial position according to three classes of net assets (net position): unrestricted, temporarily restricted and permanently restricted. CNCS has no

permanently restricted assets. The following table presents CNCS' unrestricted and temporarily restricted net assets.

Restrictions on Net Position as of September 30, 2013 *(dollars in thousands)*

	Unrestricted	Temporarily Restricted	Total
Appropriated Funds	\$ 802,097	\$ -	\$ 802,097
Trust Funds	-	229,736	229,736
Gift Funds	-	644	644
Total Net Position	\$ 802,097	\$ 230,380	\$ 1,032,477

Restrictions on Net Position as of September 30, 2012 *(dollars in thousands)*

	Unrestricted	Temporarily Restricted	Total
Appropriated Funds	\$ 861,966	\$ -	\$ 861,966
Trust Funds	-	196,576	196,576
Gift Funds	28	633	661
Total Net Position	\$ 861,994	\$ 197,209	\$ 1,059,203

NOTE 10—Appropriations Received by the National Service Trust

For fiscal year 2013, the National Service Trust received \$200.719 million under the Continuing Appropriations Act, 2013 (Public Law 112-175). For fiscal year 2012, the National Service Trust received \$207.561 million under the Consolidated Appropriations Act. The acts also authorized CNCS to transfer additional amounts from subtitle C program funds to the National Service Trust to support the activities of national service participants. CNCS transferred \$22.8 million and \$4.4 million to the Trust under this provision in fiscal year 2013 and 2012, respectively.

NOTE 11—Expenses

Using an appropriate cost accounting methodology, CNCS' expenses have been allocated among its major programs, at the sub-program level. Costs for each sub-program are reported on separately:

AmeriCorps engages members in intense, impact-oriented service to address local community needs in areas of education, healthy futures, environmental stewardship, economic opportunity, disaster services, and assisting veterans and military families. AmeriCorps includes the State, National, Tribes, and Territories (State/National); National Civilian Community Corps (NCCC); and Volunteers In Service To America (VISTA) programs. The State/National sub-program includes grant expenses, as well as direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations. The NCCC sub-program includes member stipend and benefits, and direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations. The AmeriCorps VISTA sub-program includes grant expenses, member stipend and benefits, as well as direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations.

Senior Corps programs provide opportunities for members 55 and older to address local community needs in the areas of education, assisting veterans and military families, disaster response, and healthy futures. Senior Corps includes the Foster Grandparent Program (FGP); Senior

Companion Program (SCP); and the RSVP. The Senior Corps program includes grant expenses, as well as direct and allocated personnel and administrative costs for RSVP, FGP, and SCP. CNCS also has reimbursable agreements with several state agencies whereby CNCS awards and administers grants to a list of grantees selected and funded by the State (pass-through grants). The activity related to pass-through grants has been reclassified to be associated with the related Senior Corps program.

Learn and Serve America includes grant expenses, as well as direct and allocated personnel and administrative costs, for the Learn and Serve America Program, the President's Student Service Challenge, and National Service Leader Schools. The Learn & Serve program is no longer funded; however, there was on-going activity through FY 2013 as the program winded down.

The National Service Award Expense component consists of CNCS' estimated expense for education awards based on the increase in its service award liability during the year and interest forbearance costs on qualified student loans during the period members perform community service. No indirect costs have been allocated to the National Service Award expense component.

Innovation, Demonstration, & Assistance Activities (ID&A Activities) include grants to support and encourage new forms of service and volunteering. The most significant program is the Social Innovation Fund (SIF). The primary objective of the SIF is to improve the lives of people in low-income communities by mobilizing public and private sources to grow innovative nonprofit organizations that have evidence of compelling impact in the areas of economic opportunity, youth development, and healthy futures. No indirect costs have been allocated to the Innovation, Demonstration, & Assistance Activities component.

The Office of Inspector General (OIG) receives a separate appropriation. No indirect costs have been allocated to OIG.

NOTE 11—Expenses—Continued**Components of Grant Funds Expended for the Period Ended September 30** *(dollars in thousands)*

	2013	2012
Domestic Volunteer Service Act Programs	\$ 226,790	\$ 227,317
National and Community Service Act Programs	395,955	407,603
Total Grant Funds Expended	<u>\$ 622,745</u>	<u>\$ 634,920</u>

Expenses by Major Responsibility Segment for the Period Ended September 30 *(dollars in thousands)*

	2013	2012
AmeriCorps		
State and National	\$ 595,844	\$ 609,046
NCCC	48,216	45,394
VISTA	134,151	138,035
Subtotal	\$ 778,211	\$ 792,475
Senior Corps		
RSVP	53,115	51,980
Foster Grandparent Program	119,391	119,206
Senior Companion Program	\$ 50,729	\$ 51,129
Subtotal	223,235	222,315
Learn and Serve America	6,048	17,801
Innovation, Demonstration, Assistance Activities	47,355	34,748
Office of Inspector General (OIG)	3,392	5,241
Total Expenses	<u>\$1,058,241</u>	<u>\$ 1,072,580</u>

Expenses by Type and Sub-Program for the Period Ended September 30, 2013 (dollars in thousands)

Type	AmeriCorps			National Senior Service Corps						Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP	Learn & Serve	ID&A Activities	OIG	
Grant and Related Expense										
Grant funds expended	\$ 344,389	\$ -	\$ 31,893	\$ 45,576	\$ 105,085	\$ 44,236	\$ 5,057	\$ 46,509	\$ -	\$ 622,745
VISTA and NCCC stipends and benefits	-	8,896	54,961	-	-	-	-	-	-	63,857
Service award expense	171,188	8,484	19,896	-	-	-	-	-	-	199,568
Total Grant and Related Expense	515,577	17,380	106,750	45,576	105,085	44,236	5,057	46,509	-	886,170
Administrative Expense										
Federal employee salaries and benefits	40,355	4,752	7,226	3,286	7,735	3,280	490	-	2,429	69,553
Travel and transportation	2,449	5,107	1,559	261	603	261	30	-	72	10,342
Rent, communications, and utilities	5,563	3,922	884	450	1,060	449	67	-	12	12,407
Program analysis and evaluation	1,720	63	308	139	328	139	24	-	-	2,721
Printing and reproduction	126	84	23	22	23	15	1	-	-	294
Other services and expenses	29,032	14,703	17,194	3,300	4,365	2,268	363	846	866	72,937
Supplies and materials	444	2,194	117	34	81	34	9	-	13	2,926
Depreciation, amortization, and loss on disposition of assets	520	10	81	42	100	42	6	-	-	801
Bad debt	58	1	9	5	11	5	1	-	-	90
Total Administrative Expense	80,267	30,836	27,401	7,539	14,306	6,493	991	846	3,392	172,071
Total Expenses by Type	\$ 595,844	\$48,216	\$134,151	\$53,115	\$119,391	\$50,729	\$6,048	\$47,355	\$3,392	\$1,058,241

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Expenses by Type and Sub-Program for the Period Ended September 30, 2012 (dollars in thousands)

Type	AmeriCorps			National Senior Service Corps						Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP	Learn & Serve	ID&A Activities	OIG	
Grant and Related Expense										
Grant funds expended	\$ 358,112	\$ -	\$ 29,387	\$ 46,345	\$ 106,159	\$ 45,426	\$ 15,583	\$ 33,908	\$ -	\$ 634,920
VISTA and NCCC stipends and benefits	-	9,571	60,951	-	-	-	-	-	-	70,522
Service award expense	182,786	8,609	27,028	-	-	-	-	-	-	218,423
Total Grant and Related Expense	540,898	18,180	117,366	46,345	106,159	45,426	15,583	33,908	-	923,865
Administrative Expense										
Federal employee salaries and benefits	34,919	9,504	7,885	2,497	5,861	2,485	1,251	-	3,429	67,831
Travel and transportation	1,144	3,217	1,606	386	865	380	37	-	98	7,733
Rent, communications, and utilities	4,439	5,247	835	322	756	320	105	-	98	12,122
Program analysis and evaluation	1,876	137	395	161	379	161	101	-	-	3,210
Printing and reproduction	68	40	12	36	16	11	2	-	2	187
Other services and expenses	25,116	7,460	9,840	2,186	5,060	2,299	706	840	1,574	55,081
Supplies and materials	212	1,603	39	17	39	17	6	-	40	1,973
Depreciation, amortization, and loss on disposition of assets	322	5	49	26	61	26	9	-	-	498
Bad debt	52	1	8	4	10	4	1	-	-	80
Total Administrative Expense	68,148	27,214	20,669	5,635	13,047	5,703	2,218	840	5,241	148,715
Total Expenses by Type	\$ 609,046	\$ 45,394	\$ 138,035	\$ 51,980	\$ 119,206	\$ 51,129	\$ 17,801	\$ 34,748	\$ 5,241	\$ 1,072,580

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NOTE 12—National Service Award Expense

Members serving in approved national service positions are eligible to earn a service award to pay for qualified education expenses. The National Service Trust also pays interest forbearance costs on qualified student loans during the period members perform community service.

CNCS estimates the expense for national service awards based on the increase in its cumulative service award liability during the year (see Note 6). The total service award liability as of September 30, 2013 and 2012, respectively, has been adjusted to reflect the fact that earned awards are not always used.

National Service Award Expense for the Period Ended September 30 *(dollars in thousands)*

	2013	2012
Estimated education awards	\$ 190,594	\$ 208,758
Estimated interest forbearance	8,974	9,665
National Service Award Expense	\$ 199,568	\$ 218,423

NOTE 13—Change in Unexpended Appropriations, Net**Unexpended Appropriations, Net as of September 30** *(dollars in thousands)*

	2013	2012
Unexpended Appropriations, Beginning Balance	\$ 864,831	\$ 876,088
Increases:		
Appropriations Received	1,048,884	1,050,870
Decreases:		
Appropriated Capital Used	(808,085)	(824,684)
Appropriations Transferred to Trust Fund (net of rescissions)	(200,719)	(207,561)
Program Funds Transferred to Trust	(22,849)	(4,355)
Rescissions and Cancellations	(72,549)	(25,527)
Total Decreases	(1,104,202)	(1,062,127)
Change in Unexpended Appropriations	(55,318)	(11,257)
Unexpended Appropriations, Ending Balance	\$ 809,513	\$ 864,831

NOTE 14—Contingencies

CNCS is a party to various routine administrative proceedings, legal actions, and claims brought by or against it, including threatened or pending litigation involving labor relations claims, some of which may ultimately result in settlements or decisions against CNCS. In the opinion of CNCS' management and legal counsel, there are no proceedings, actions, or claims outstanding or threatened that would materially impact the financial statements of CNCS.

Certain legal matters to which CNCS is a party may be administered and, in some instances, litigated and paid by other federal agencies. Generally, amounts paid in excess of \$2.5 thousand for Federal Tort Claims Act settlements or awards pertaining to these litigations are funded from the Treasury Judgment Fund (TJF). Although the ultimate disposition of any potential TJF proceedings cannot be determined, management does not expect that any liability or expense that might ensue would be material to CNCS' financial statements.

NOTE 15—Subsequent Events

CNCS has evaluated subsequent events through December 16, 2013, which is the date these financial statements were available to be issued. As a consequence of its evaluation, CNCS has determined that no subsequent events need to be recognized or disclosed.

NOTE 16—Undelivered Orders at Fiscal Year-End

CNCS' undelivered orders at September 30, 2013 and 2012 were \$868,598 and \$895,614 thousand, respectively.

NOTE 17—Apportionment Categories of Incurred Obligations

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions Corporation funds on both a quarterly and annual basis. Obligations incurred during FY 2013 and 2012 were:

Consolidated Obligations Incurred through September 30 *(dollars in thousands)*

Fiscal Year	Direct	Reimbursable	Total
2013	\$ 1,226,901	\$ 53,039	\$ 1,279,940
2012	\$ 1,255,712	\$ 19,949	\$ 1,275,661

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND COMPLIANCE WITH APPLICABLE PROVISIONS
OF LAWS, REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS**

To the Board of Directors and Inspector General of the Corporation for National and Community Service

We have audited the accompanying consolidated financial statements of the Corporation for National and Community Service (the Corporation), which comprise the consolidated statement of financial position as of September 30, 2013, the related consolidated statement of operations and changes in net position, the consolidated statement of cash flows, and the combined statement of budgetary resources (hereinafter referred to as the "financial statements") for the year then ended, and the related notes to the financial statements, and have issued our report thereon, dated December 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 14-02. We did not test all internal controls relevant to operating objectives, as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraphs 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.

We noted certain additional matters involving internal control over financial reporting that we will report to the Corporation's management in a separate letter.

Compliance with Applicable Provisions of Laws, Regulations, Contracts, and Grant Agreements

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we tested 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, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Corporation. However, providing an opinion on compliance with these 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* or OMB Bulletin No. 14-02.

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 Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02 in considering the Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads 'Kearney & Company'. The signature is written in a cursive, flowing style.

Alexandria, Virginia
December 16, 2013

Status of Prior Year Findings

In the Report on Internal Control included in the *Independent Auditor's Report on the Corporation's 2012 and 2011 Financial Statements*, we noted a deficiency in internal control over financial reporting. Table 1 below summarizes the condition, as reported by us in the prior fiscal year (FY), and the status of that condition based on our evaluation of this finding in the current FY.

Table 1: Prior Year Significant Internal Control Deficiencies

Control Deficiency	FY 2012 Status	FY 2013 Status
Grant Accrual Estimate	Material Weakness	Closed

APPENDIX

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S
RESPONSE TO DRAFT REPORT**



Memorandum

DATE: December 16, 2013

TO: Deborah Jeffrey, Inspector General

FROM: David Rebich, Chief Financial Officer 

SUBJECT: Draft Report on the Corporation for National and Community Service's (CNCS) FY 2013 Financial Statements

Thank you for the opportunity to respond to the draft report on the results of your audit of the Corporation for National and Community Service's FY 2013 financial statements. I am pleased that we can report CNCS maintained its record of strong fiscal stewardship for the American people in FY 2013. CNCS received an unmodified opinion on its consolidated financial statements for the 14th consecutive year. The audit also found no instance of noncompliance with laws and regulations.

I am also pleased that the material weakness in financial reporting related to the estimated grant accruals and three management letter findings associated with financial reporting contained in the FY 2012 report was corrected. In addition, the audit results for six other management letter findings indicate that progress was made during FY 2013. Overall, the results reflect CNCS' commitment to sound financial management and the hard work to continuously improve financial operations.

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