

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

**AUDIT OF THE  
CORPORATION FOR NATIONAL AND  
COMMUNITY SERVICE'S  
FISCAL YEAR 2016 FINANCIAL STATEMENTS**

**OIG REPORT 17-01**



Prepared by:


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

This report was issued to Corporation management on November 14, 2016. 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 May 15, 2017, and complete its corrective actions by November 14, 2017. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



November 14, 2016

TO: Wendy Spencer  
Chief Executive Officer

FROM: Stuart Axenfeld   
Assistant Inspector General for Audit

SUBJECT: Audit of the Corporation for National and Community Service's  
Fiscal Year 2016 Financial Statements, OIG Report 17-01

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, 2016 and 2015, and for the years then ended. The contract required that the audit be performed in accordance with the *Government Auditing Standards* and applicable Office of Management and Budget guidance.

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;
- One significant deficiency (Internal Controls Program) in the Corporation's internal control over financial reporting; and
- No instances of noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements.

In connection with the contract, we reviewed Kearney's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with United States generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Corporation's financial statements or conclusions about the effectiveness of internal control; or conclusions on compliance with applicable provisions of laws, regulations, contracts, and grant agreements.

Kearney is responsible for the attached independent auditor's reports, dated November 14, 2016, and the conclusions expressed therein. However, our review disclosed no instances where Kearney did not comply, in all material respects, with United States generally accepted government auditing standards.

#### Attachment

cc: Asim Mishra, Chief of Staff  
Jeremy Joseph, General Counsel  
Jeffrey Page, Chief Operating Officer and Chief Financial Officer  
Tom Hanley, Chief Information Officer  
Lori Giblin, Chief Risk Officer  
David Zavada, Engagement Partner, Kearney & Company, P.C.

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## **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 (CNCS), which comprise the consolidated statements of financial position as of September 30, 2016 and 2015, 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, as well as 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audits 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 CNCS as of September 30, 2016 and 2015, as well as its net cost of operations and 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 Matter**

As discussed in Note 1 to the financial statements, the 2004 Executive Order, entitled “National and Community Service Programs” (E.O. 13331), requires a statement of assurance in CNCS’s Management Representation Letter by the Chief Executive Officer and Chief Financial Officer that its financial statements, including the SBR, are accurate and reliable. CNCS has interpreted this requirement to include presenting the SBR as a principal financial statement. CNCS’s SBR is prepared in accordance with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to this matter.

## **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. Such information, although not a part of the financial statements, is required by OMB and the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, 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, which consisted of inquiries of management about the methods of 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 of the financial statements. 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 2016, and Improper Payments sections of the Fiscal Year 2016 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; accordingly, we do not express an opinion or provide any assurance on it.

Certain information from the Trust Status Report – September 2016 statements of financial position, related statements of operations and changes in net position, statements of cash flows and combined SBR (hereinafter referred to as the “Trust financial statements”) as of September 30, 2016 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 November 14, 2016.

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

In accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued reports, dated November 14, 2016, on our consideration of CNCS’s internal control over financial reporting and on our tests of CNCS’s compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2016. The purpose of those reports 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. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 and should be considered in assessing the results of our audits.

A handwritten signature in blue ink, appearing to read "Alexander".

Alexandria, Virginia  
November 14, 2016

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE**

**FISCAL YEAR 2016 AND 2015  
CONSOLIDATED FINANCIAL STATEMENTS**

**(Extracted From Fiscal Year 2016 Agency Financial Report)**

## Consolidated Financial Statements

**Corporation for National and Community Service**  
**Consolidated Statements of Financial Position**  
**As of September 30, 2016 and 2015**  
*(Dollars in Thousands)*

	2016	2015
<b>Assets</b>		
Fund Balance with Treasury (Note 2)	\$ 1,044,413	\$ 1,004,351
Cash and Other Monetary Assets	-	79
Investments and Related Receivables (Note 3)	822,652	751,464
Advances to Others	59,488	57,288
Accounts Receivable, Net (Note 4)	9,559	8,157
Property and Equipment, Net (Note 5)	13,638	7,440
<b>Total Assets</b>	<b>\$ 1,949,750</b>	<b>\$ 1,828,779</b>
<b>Liabilities</b>		
Trust Service Award Liability (Note 6)	\$ 396,344	\$ 454,890
Grants Payable	100,664	96,978
Accounts Payable	8,250	5,149
Actuarial FECA Liability (Note 8)	7,573	8,328
Advances from Others (Note 9)	23,507	26,725
Accrued Annual Leave	4,130	4,301
Other Liabilities (Note 10)	16,200	14,912
<b>Total Liabilities</b>	<b>\$ 556,668</b>	<b>\$ 611,283</b>
Contingencies (Note 16)		
<b>Net Position</b>		
Unexpended Appropriation	956,173	915,432
Cumulative Results of Operations	436,909	302,064
<b>Total Net Position (Note 11)</b>	<b>\$ 1,393,082</b>	<b>\$ 1,217,496</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 1,949,750</b>	<b>\$ 1,828,779</b>

*The accompanying footnotes 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, 2016 and 2015**  
*(Dollars in Thousands)*

	2016	2015
<b>Revenue</b>		
Appropriated Capital Used	\$ 794,222	\$ 779,799
Appropriations Received by the National Service Trust (Note 12)	241,352	217,507
Interest	3,964	2,747
Revenue from Services Provided	39,605	40,450
Other	13,893	16,194
<b>Total Revenue</b>	<b>1,093,036</b>	<b>1,056,697</b>
<b>Expenses</b>		
AmeriCorps	682,390	742,280
SeniorCorps	211,217	221,788
Innovation, Demonstration and Assistance Activities	59,620	47,702
Office of the Inspector General	4,964	4,552
<b>Total Expenses (Note 13)</b>	<b>958,191</b>	<b>1,016,322</b>
<b>Net of Revenue Over Expenses</b>	<b>\$ 134,845</b>	<b>\$ 40,375</b>
<b>Net Position</b>		
Net of Revenue Over Expenses	\$ 134,845	\$ 40,375
Increase/(Decrease) in Unexpended Appropriations, Net (Note 15)	40,741	25,065
Increase/(Decrease) in Net Position, Net	175,586	65,440
Net Position, Beginning Balance	1,217,496	1,152,056
<b>Net Position, Ending Balance (Note 11)</b>	<b>\$ 1,393,082</b>	<b>\$ 1,217,496</b>

*The accompanying footnotes 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, 2016 and 2015**  
*(Dollars in Thousands)*

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net of Revenue over Expenses	\$ <u>134,845</u>	\$ <u>40,375</u>
Adjustments Affecting Cash Flow:		
Depreciation, Amortization, and Loss on Disposition of Assets	1,245	1,917
Amortization of Premium/(Discount) on Investments	(197)	(1,606)
Appropriated Capital Used	(794,222)	(779,799)
Appropriations Received in Trust	(241,352)	(217,507)
Appropriations Transferred to Other Federal Agencies	1,000	(1,000)
Decrease/(Increase) in Cash and Other Monetary Assets	79	46
Decrease/(Increase) in Accounts Receivable	(1,402)	1,121
Decrease/(Increase) in Interest Receivable	(305)	182
Decrease/(Increase) in Advances to Others	(2,200)	834
Increase/(Decrease) in Accounts Payable and Other Liabilities	4,389	685
Increase/(Decrease) in Advances from Others	(3,218)	1,735
Increase/(Decrease) in FECA and Annual Leave Liabilities	(926)	(870)
Increase/(Decrease) in Trust Liability	(58,546)	759
Increase/(Decrease) in Grants Payable	3,686	1,407
Total Adjustments	<u>(1,091,969)</u>	<u>(992,096)</u>
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b>(957,124)</b>	<b>(951,721)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Securities	1,129,620	981,391
Purchase of Assets	(7,443)	(6,970)
Purchase of Securities	<u>(1,200,306)</u>	<u>(1,013,458)</u>
<b>Net Cash Provided/(Used) in Investing Activities</b>	<b>(78,129)</b>	<b>(39,037)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Appropriations Received, Net of Trust	1,094,916	1,054,954
Rescissions and Cancellations	<u>(19,601)</u>	<u>(31,583)</u>
<b>Net Cash Provided by Financing Activities</b>	<b>1,075,315</b>	<b>1,023,371</b>
<b>Net Increase/(Decrease) in Fund Balance with Treasury</b>	<b>40,062</b>	<b>32,613</b>
<b>Fund Balance with Treasury, Beginning</b>	<b><u>1,004,351</u></b>	<b><u>971,738</u></b>
<b>Fund Balance with Treasury, Ending (Note 2)</b>	<b>\$ <u><u>1,044,413</u></u></b>	<b>\$ <u><u>1,004,351</u></u></b>

*The accompanying footnotes 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, 2016 and 2015**  
*(Dollars in Thousands)*

	2016	2015
<b>Budgetary Resources</b>		
Unobligated, balance brought forward, October 1	\$ 230,979	\$ 205,420
Recoveries of unpaid prior year obligations	36,354	31,772
Recoveries of paid prior year obligations	569	-
Other changes in unobligated balance	(19,601)	(31,583)
Unobligated balance from prior year budget authority, net	<u>248,301</u>	<u>205,609</u>
Appropriation Discretionary	1,095,916	1,053,954
Appropriation (special or trust funds)	241,369	217,514
Appropriation Discretionary (total)	<u>1,337,285</u>	<u>1,271,468</u>
Appropriation Mandatory (special or trust funds)	3,461	3,933
Appropriations (discretionary and mandatory)	<u>1,340,746</u>	<u>1,275,401</u>
Spending authority from offsetting collections (discretionary and mandatory)	42,725	50,718
<b>Total Budgetary Resources</b>	<b><u>\$ 1,631,772</u></b>	<b><u>\$ 1,531,728</u></b>
<b>Status of Budgetary Resources</b>		
New obligations and upward adjustments ( Note 19)	<u>\$ 1,339,985</u>	<u>\$ 1,300,749</u>
Unobligated balance, end of year:		
Apportioned, unexpired accounts (Note 2)	221,756	98,113
Unapportioned, unexpired accounts (Note 2)	4	51,649
Unexpired unobligated balance, end of year	<u>221,760</u>	<u>149,762</u>
Expired unobligated balance, end of the year (Note 2)	70,027	81,217
Total unobligated balance, end of year	<u>291,787</u>	<u>230,979</u>
<b>Total Budgetary Resources</b>	<b><u>\$ 1,631,772</u></b>	<b><u>\$ 1,531,728</u></b>
<b>Change in obligated balance</b>		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$ 1,523,813	\$ 1,480,417
New obligations and upward adjustments	1,339,985	1,300,749
Outlays (gross)	(1,250,293)	(1,225,581)
Recoveries of prior year unpaid obligations, actual	<u>(36,354)</u>	<u>(31,772)</u>
<b>Unpaid Obligations, end of year</b>	<b><u>1,577,151</u></b>	<b><u>1,523,813</u></b>
Uncollected payments:		
Uncollected payments, Federal sources, brought forward, October 1	(2,042)	(131)
Change in uncollected payments, Federal sources	<u>(3,566)</u>	<u>(1,911)</u>
<b>Uncollected payments, Federal sources, end of year</b>	<b><u>(5,608)</u></b>	<b><u>(2,042)</u></b>
Memorandum (non-add) entries:		
<b>Obligated balance, start of year</b>	<b><u>\$ 1,521,771</u></b>	<b><u>\$ 1,480,286</u></b>
<b>Obligated balance, end of year (Note 2)</b>	<b><u>\$ 1,571,543</u></b>	<b><u>\$ 1,521,771</u></b>
<b>Budget Authority and Outlays, net</b>		
Budgetary authority, gross (discretionary and mandatory)	\$ 1,383,471	\$ 1,326,119
Actual offsetting collections (discretionary and mandatory)	(39,728)	(48,807)
Change in uncollected payments, Federal sources	(3,566)	(1,911)
Recoveries of paid prior year obligations	569	-
<b>Budget Authority, net (discretionary and mandatory)</b>	<b><u>\$ 1,340,746</u></b>	<b><u>\$ 1,275,401</u></b>
Outlays, gross (discretionary and mandatory)	\$ 1,250,293	\$ 1,225,581
Actual offsetting collections (discretionary and mandatory)	<u>(39,728)</u>	<u>(48,807)</u>
<b>Outlays, net (discretionary and mandatory)</b>	<b><u>1,210,565</u></b>	<b><u>1,176,774</u></b>
Distributed offsetting receipts	(242,772)	(218,475)
<b>Agency Outlays, net (discretionary and mandatory)</b>	<b><u>\$ 967,793</u></b>	<b><u>\$ 958,299</u></b>

*The accompanying footnotes are an integral part of these financial statements.*

## Footnotes for Consolidated Financial Statements

## **NOTE 1—Summary of Significant Accounting Policies**

### **A. REPORTING ENTITY**

Corporation for National and Community Service (CNCS) was created by the National and Community Service Trust Act of 1993 (Public Law 103-82). CNCS's 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's 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:

- AmeriCorps 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.
- AmeriCorps 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 FY 2016 from the following funds:

#### **Trust and Gift Funds:**

- National Service Trust (Trust), from which CNCS provided education awards and interest forbearance for volunteers that serve as AmeriCorps members.
- Gifts and Contributions, into which CNCS deposited qualified gifts and contributions from individuals and organizations from which approved expenditures are made furthering CNCS's goals.

#### **Appropriated Funds:**

- Operating Expenses, from which CNCS funded Senior Corps, AmeriCorps, and other program activities
- Salaries and Expenses, from which CNCS funded its general administrative expenses.
- Office of Inspector General (OIG), from which CNCS funded the expenses of the Office of Inspector General.
- 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's expenses to improve Information Technology (IT) systems and administer the increased AmeriCorps State and National and VISTA membership.
- OIG, 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's 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's 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 CNCS's assets, liabilities, and net position;
- Statement of Operations and Changes in Net Position, which reports CNCS's 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's financial position and results affected its cash (Fund Balance with Treasury), and present the analysis of 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 CNCS.

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

In FY 2016, presentation changes have been made to facilitate a greater understanding of the statements and notes.

#### **D. BUDGETS AND BUDGETARY ACCOUNTING**

The activities of CNCS are primarily funded through the annual Departments of Labor (DOL), Health and Human Services (HHS), Education and Related Agencies Appropriation Act. CNCS's 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, 2016, the carrying amounts of Fund Balance with Treasury, Cash and Other Monetary Assets, 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's cash accounts with the Department of the Treasury (Treasury). Treasury processes cash receipts and disbursements on behalf of CNCS and CNCS's accounting records are reconciled with those of Treasury on a regular basis. CNCS's FBWT includes all of its appropriated, gift, 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. CASH AND OTHER MONETARY ASSETS**

Cash consists of coins, paper currency and readily negotiable instruments, such as money orders, checks, and bank drafts on hand or in transit for deposit. CNCS does not have Cash and Other Monetary Assets for the periods ending September 30, 2016.

#### **H. 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 and bills.

Since they are expected to be held-to-maturity, CNCS's 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, and are amortized using the level yield/effective interest method for the notes and straight line method for the bills. 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.

#### **I. 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.

#### **J. 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.

#### **K. 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.

#### **L. GENERAL PROPERTY AND EQUIPMENT**

Property and Equipment is stated at full cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation/amortization. Normal maintenance and repair costs on capitalized property and equipment are expensed when incurred. CNCS capitalizes property and equipment with an estimated useful life of two years or more based on the below thresholds. Capitalized property are depreciated or amortized on a straight line over their estimated useful lives ranging from 2 to 10 years.

The CNCS's capitalization policy, *Accounting for Capital Property*, was updated with an effective date May of Fiscal Year 2016. Property and Equipment acquired before this policy was implemented that does not meet the new capitalization criteria will be fully depreciated.

The primary change relates to the capitalization thresholds for each asset type. Prior to May 2016 threshold change, CNCS capitalized items with a cost of \$50 thousand or greater for all asset types.

Effective May 2016, CNCS capitalizes single items of property and equipment with a cost of \$50 thousand or more. Also, CNCS capitalizes bulk purchases of property and equipment with an aggregate cost of \$250 thousand or more. A bulk purchase is defined as the purchase of like items related to a specific project, or the purchase of like items occurring within the same fiscal year that have an estimated useful life of at least two years.

In addition, CNCS capitalizes Internal Use Software with an aggregate cost of \$250 thousand or more. Internal Use Software is either purchased off the shelf, internally developed, or contractor developed solely to meet the CNCS's internal or operational needs. Internal Use software developed to meet CNCS's internal or operational needs will be recognized as capitalized Internal Use software in development if the estimated developmental cost obligated on the contract meets the capitalization criteria. Internal Use software in development will be recorded at cost in the fiscal year when they are incurred and paid. The realization of Internal Use software will be recognized in CNCS's financial records upon completion of the software development and when the title is passed to CNCS. Refer to Note 7, General Property and Equipment, Net for additional information.



#### **M. 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's historical experience.

#### **N. 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.

#### **O. 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.

#### **P. 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 CNCS's employees and members under FECA are determined and paid by the Department of Labor (DOL) and later billed to CNCS. CNCS's 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.

#### **Q. 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 CNCS employees under FECA that have been paid by DOL and billed to CNCS but have not yet been reimbursed to DOL, other unfunded employment related liability, liability for non-fiduciary deposit funds and undeposited collections, and accounts payable canceled appropriations.

#### **R. 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.

#### **S. 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.

## **T. NET POSITION**

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

## **U. REVENUE RECOGNITION**

**Appropriation 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 the 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 level yield/effective interest method for the notes and straight line method for the bills.

**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 Treasury to the credit of the Gifts and Contributions Fund.

## **V. RETIREMENT BENEFITS**

CNCS's 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 4.0 percent of pay, for a maximum CNCS contribution amounting to 5.0 percent of pay. Employees under CSRS may participate in the TSP, but will not receive either CNCS's automatic or matching contributions.

## **W. 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.

**X. 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's 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.

**Y. COMPARATIVE DATA**

Certain FY 2015 amounts have been reclassified to conform to the FY 2016 presentation.

**Z. CONCENTRATION OF RISKS**

Congress annually considers whether to fund CNCS's program and operational activities. Should Congress opt not to enact appropriations to fund them, CNCS would be unable to continue operations. CNCS's 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 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 the CNCS’s 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.

## NOTE 2 – Fund Balance with Treasury---Continued

Fund Balance with Treasury as of September 30, 2016 (dollars in thousands)					
Type	Unrestricted		Restricted		Total
	Appropriated Funds	Trust Funds	Gift Funds		
Obligated Not Yet Disbursed	\$ 945,000	\$ 626,512	\$ 31		\$ 1,571,543
Unobligated Available	22,764	198,628	364		221,756
Unobligated Unavailable	70,027	4	-		70,031
Non Budgetary FBWT	2,200	-	-		2,200
Investments *	-	(821,117)	-		(821,117)
<b>Total</b>	<b><u>\$ 1,039,991</u></b>	<b><u>\$ 4,027</u></b>	<b><u>\$ 395</u></b>		<b><u>\$ 1,044,413</u></b>

Fund Balance with Treasury as of September 30, 2015 (dollars in thousands)					
Type	Unrestricted		Restricted		Total
	Appropriated Funds	Trust Funds	Gift Funds		
Obligated Not Yet Disbursed	\$ 886,406	\$ 635,320	\$ 45		\$ 1,521,771
Unobligated Available	24,435	73,335	343		98,113
Unobligated Unavailable	82,669	50,197	-		132,866
Non Budgetary FBWT	2,033	-	-		2,033
Investments *	-	(750,432)	-		(750,432)
<b>Total</b>	<b><u>\$ 995,543</u></b>	<b><u>\$ 8,420</u></b>	<b><u>\$ 388</u></b>		<b><u>\$ 1,004,351</u></b>

\* Investments include purchases, sales, premiums and discounts

### NOTE 3 – Investments and Related Receivables

Investments and Related Receivables as of September 30 (dollars in thousands)			
	2016		2015
Investments, Carrying Value	\$821,860	\$	750,977
Interest Receivable	792		487
<b>Total</b>	<b><u>\$ 822,652</u></b>	<b><u>\$</u></b>	<b><u>751,464</u></b>

Amortized Cost and Fair Value of Investment Securities as of September 30, 2016 (dollars in thousands)				
Securities	Amortized Cost	Unrealized Gains/(Losses)		Fair Value
Notes	\$ 541,519	\$ 463	\$	541,982
Bills	280,341	47		280,388
<b>*Total</b>	<b><u>\$ 821,860</u></b>	<b><u>\$ 510</u></b>	<b><u>\$</u></b>	<b><u>822,370</u></b>

Amortized Cost and Fair Value of Investment Securities as of September 30, 2015 (dollars in thousands)				
Securities	Amortized Cost	Unrealized Gains/(Losses)		Fair Value
Notes	\$ 328,823	\$ 652	\$	329,475
Bills	422,154	142		422,296
<b>Total</b>	<b><u>\$ 750,977</u></b>	<b><u>\$ 794</u></b>	<b><u>\$</u></b>	<b><u>751,771</u></b>

As of September 30, 2016, the notes held at year-end had an interest rate range of 0.375% to 0.875% and an outstanding maturity period of approximately 31 days to 2.5 years. The bills held at year-end had an interest rate range of 0.215% to 0.535% and were all due to mature within 364 days. The par values of notes range from \$3.6 million to \$148.3 million. The fair value of the bills and notes is based on bid and ask prices quoted by Treasury as of September 30, 2016 and 2015.

Since FY 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, 2016, \$50.2 million of CNCS's investment account has been set aside for this reserve.

### NOTE 3 – Investments and Related Receivables---Continued

<b>Maturation of Securities Held as of September 30</b> <i>(dollars in thousands)</i>				
<b>Held- to- Maturity Securities</b>	<b>2016</b>		<b>2015</b>	
	<b>Amortized Costs</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in 1 year or less	\$ 721,874	\$ 722,133	\$ 523,225	\$ 523,435
Due after 1 year up to 5 years	99,986	100,237	227,752	228,336
<b>Total</b>	<b><u>\$ 821,860</u></b>	<b><u>\$ 822,370</u></b>	<b><u>\$ 750,977</u></b>	<b><u>\$ 751,771</u></b>

#### NOTE 4 – Accounts Receivable, Net

Accounts Receivable as of September 30 (dollars in thousands)			
	Appropriated Funds	Trust Fund	Total
<b>2016</b>			
Accounts receivable	\$ 10,774	\$ 305	\$11,079
Less: allowance for doubtful accounts	(1,415)	(105)	(1,520)
<b>Accounts Receivable, Net</b>	<b><u>\$ 9,359</u></b>	<b><u>\$ 200</u></b>	<b><u>\$ 9,559</u></b>
<b>2015</b>			
Accounts receivable	\$ 9,196	\$ 355	\$ 9,551
Less: allowance for doubtful accounts	(1,300)	(94)	(1,394)
<b>Accounts Receivable, Net</b>	<b><u>\$ 7,896</u></b>	<b><u>\$ 261</u></b>	<b><u>\$ 8,157</u></b>



## NOTE 5 – Property and Equipment, Net

General Property and Equipment as of September 30, 2016 (dollars in thousands)				
Major Class	Service Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Equipment	3 – 10	\$ 4,010	\$ (3,009)	\$ 1,001
ADP software in development	N/A	11,907	-	11,907
ADP software	2	13,847	(13,117)	730
<b>Total</b>		<b>\$ 29,764</b>	<b>\$ (16,126)</b>	<b>\$ 13,638</b>

General Property and Equipment as of September 30, 2015 (dollars in thousands)				
Major Class	Service Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Equipment	3 – 10	\$ 4,010	\$ (2,534)	\$ 1,476
ADP software in development	N/A	4,464	-	4,464
ADP software	2	13,847	(12,347)	1,500
<b>Total</b>		<b>\$ 22,321</b>	<b>\$ (14,881)</b>	<b>\$ 7,440</b>

## 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 Education award must be used within seven years of completion date of an approved term of national service. If the education award is a transferred award or Summer of Service award the use period will be ten years. These awards are paid from the National Service Trust Fund.

The National Service Trust also pays forbearance interest on qualified student loans during the period members perform community service. 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.

Funds for the President's Freedom Scholarship Program were provided in the appropriations acts from 1998 through 2007. Because the program last received appropriated funds in 2007 and recipients had seven years to use the scholarships, the last available use date was in 2014, and no payments have been made since that date.

The following table provides the Total Cumulative Service Awards, Award Payments, and resulting Liability as of September 30:

<b>Service Award Liability as of September 30</b> <i>(dollars in thousands)</i>		
	<b>2016</b>	<b>2015</b>
Education awards	\$2,736,947	2,647,027
Interest forbearance	112,005	103,258
President's Freedom Scholarship Program	<u>21,643</u>	<u>22,527</u>
Total estimated Service Award Liability	2,870,595	2,772,812
Less: cumulative awards paid	(2,474,251)	(2,317,922)
<b>Total</b>	<b><u>\$ 396,344</u></b>	<b><u>\$ 454,890</u></b>

The Net Service Award Liability as of September 30, 2016 decreased by approximately \$58.6 million from the Net Service Award Liability as of September 30, 2015. A large portion of this reduction, approximately \$48.6 million, is attributed to a revised statistical method. The remaining reduction is due to current year award payments and expirations in excess of current year enrollments.

## 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 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	2016				2015			
	Facilities Space	Vehicles	Other	Total	Facilities Space	Vehicles	Other	Total
2016					11,522	795	554	12,871
2017	7,916	818	482	9,216	11,846	813	561	13,220
2018	8,141	836	485	9,462	12,179	832	575	13,586
2019	8,372	855	498	9,725	12,523	852	598	13,973
2020	8,611	874	506	9,991	12,876	872	622	14,370
2021	8,856	895	521	10,272				
<b>Total</b>	<b><u>\$ 41,896</u></b>	<b><u>\$ 4,278</u></b>	<b><u>\$2,492</u></b>	<b><u>\$48,666</u></b>	<b><u>\$ 60,946</u></b>	<b><u>\$ 4,164</u></b>	<b><u>\$2,910</u></b>	<b><u>\$68,020</u></b>

## **NOTE 8 – Actuarial FECA Liability**

CNCS's actuarial liability for future workers' compensation benefits under FECA was \$7.6 and \$ 8.3 million as of September 30, 2016 and 2015, respectively. The amount includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. As with all Federal agencies CNCS's FECA liability is determined by DOL. 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 (OMB's) economic assumptions for 10-year Treasury notes and bonds.

## NOTE 9 – Advances from Others

Advances from Others consists of advances from other federal government entities and nonfederal entities related to the interagency and cost share agreements into which CNCS entered to provide services. Advances from others primarily consist of Federal Emergency Management Agency (FEMA), Environmental Protection Agency (EPA), Department of Justice (DOJ), Department of Housing and Urban Development (HUD), and Department of Agriculture (USDA) related reimbursable activities.

Advances from Others as of September 30 (dollars in thousands)			
		2016	2015
Advances from Others-Federal	\$	23,481	\$ 26,725
Advances from Others-Non-Federal		26	-
<b>Total Advances from Others</b>		<b><u>\$ 23,507</u></b>	<b><u>\$ 26,725</u></b>

## NOTE 10 – 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 CNCS's employees under FECA that have been paid by DOL and billed to CNCS but have not yet been reimbursed to DOL, other unfunded employment related liability, liability for non-fiduciary deposit funds and un-deposited collections, and accounts payable canceled appropriations.

<b>Other Liabilities as of September 30</b> <i>(dollars in thousands)</i>		
	<b>2016</b>	<b>2015</b>
Accrued Funded Payroll and Benefits	\$ 2,669	\$ 2,180
Unfunded FECA Liability	1,977	2,076
Member Payroll Related Liabilities	4,341	3,808
Liability for Non-Entity Assets	3,991	3,481
Other	3,222	3,367
<b>Total Other Liabilities</b>	<b><u>\$ 16,200</u></b>	<b><u>\$ 14,912</u></b>

## NOTE 11 – Net Position

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

Net Position by Fund Balance Component as of September 30, 2016 (dollars in thousands)				
	Appropriated Funds	Trust Funds	Gift Funds	Total
Unexpended appropriations	\$ 956,173	\$ -	\$ -	\$ 956,173
Cumulative results of operations	5,983	430,535	391	436,909
<b>Total Net Position</b>	<b><u>\$ 962,156</u></b>	<b><u>\$ 430,535</u></b>	<b><u>\$ 391</u></b>	<b><u>\$ 1,393,082</u></b>

Net Position by Fund Balance Component as of September 30, 2015 (dollars in thousands)				
	Appropriated Funds	Trust Funds	Gift Funds	Total
Unexpended appropriations	\$ 915,432	\$ -	\$ -	\$ 915,432
Cumulative results of operations	(3,576)	305,255	385	302,064
<b>Total Net Position</b>	<b><u>\$ 911,856</u></b>	<b><u>\$ 305,255</u></b>	<b><u>\$ 385</u></b>	<b><u>\$ 1,217,496</u></b>

## NOTE 11 – Net Position ---Continued

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 the Corporation's unrestricted and temporarily restricted net assets.

<b>Restrictions on Net Position as of September 30, 2016</b> <i>(dollars in thousands)</i>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Appropriated Funds	\$ 962,156	\$ -	\$ 962,156
Trust Funds	-	430,535	430,535
Gift Funds	-	391	391
<b>Total Net Position</b>	<b><u>\$ 962,156</u></b>	<b><u>\$ 430,926</u></b>	<b><u>\$ 1,393,082</u></b>

<b>Restrictions on Net Position as of September 30, 2015</b> <i>(dollars in thousands)</i>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
Appropriated Funds	\$ 911,856	\$ -	\$ 911,856
Trust Funds	-	305,255	305,255
Gift Funds	-	385	385
<b>Total Net Position</b>	<b><u>\$ 911,856</u></b>	<b><u>\$ 305,640</u></b>	<b><u>\$ 1,217,496</u></b>



## **NOTE 12 – Appropriations Received by the National Service Trust**

As of September 30, 2016 and 2015, the National Service Trust received \$220.0 million and \$209.6 million, respectively. CNCS is also authorized to transfer additional amounts from subtitle C program funds to the National Service Trust to support the activities of national service participants. Under the provisions of the law, CNCS transferred \$21.4 million and \$ 7.9 million to the Trust in FY 2016 and FY 2015, respectively. Accordingly, the National Service Trust received a total funding of \$ 241.4 million in FY 2016, and \$217.5 million in FY 2015, respectively.

## NOTE 13 – Expenses

Effective FY 2016, CNCS used a revised cost accounting methodology to allocate the costs among its major programs, and 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 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.

The 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 RSVP.

The Senior Corps programs include 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.

The National Service Award Expense component consists of the CNCS's 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 resources 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 13 – Expenses---Continued**

<b>Expenses by Major Responsibility Segment for the Period Ended September 30</b> <i>(dollars in thousands)</i>		
	<b>2016</b>	<b>2015</b>
<b>AmeriCorps</b>		
State/National	\$ 480,375	\$ 569,506
NCCC	65,315	39,597
VISTA	<u>136,700</u>	<u>133,177</u>
Subtotal	<b>\$ 682,390</b>	<b>\$ 742,280</b>
<b>Senior Corps</b>		
RSVP	50,998	56,316
Foster Grandparent Program	111,721	116,241
Senior Companion Program	<u>48,498</u>	<u>49,231</u>
Subtotal	<b>211,217</b>	<b>221,788</b>
Innovation, Demonstration, & Assistance Activities	59,620	47,702
Office of Inspector General (OIG)	4,964	4,552
<b>Total Expenses</b>	<b><u>\$ 958,191</u></b>	<b><u>\$1,016,322</u></b>

## NOTE 14 – 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, 2016 and 2015, respectively, has been adjusted to reflect the fact that earned awards are not always used.

<b>National Service Award Expense for the Period Ended September 30</b> <i>(dollars in thousands)</i>		
	<b>2016</b>	<b>2015</b>
Estimated education awards	\$ 113,828	\$ 179,586
Estimated interest forbearance	9,331	11,989
<b>National Service Award Expense</b>	<b><u>\$ 123,159</u></b>	<b><u>\$ 191,575</u></b>

## NOTE 15 – Change in Unexpended Appropriations, Net

Unexpended Appropriations, Net as of September 30 ( <i>dollars in thousands</i> )		
	2016	2015
Unexpended appropriations, beginning balance	\$ 915,432	\$ 890,367
<b>Increases:</b>		
Appropriations received	1,094,916	1,054,954
<b>Decreases:</b>		
Appropriated capital used	(794,222)	(779,799)
Appropriations transferred to Trust Fund (net of rescissions)	(220,000)	(209,618)
Program funds transferred to Trust Fund	(21,352)	(7,889)
Appropriations transferred to other federal agencies	1,000	(1,000)
Rescissions and cancellations	(19,601)	(31,583)
Total decreases	<b>(1,054,175)</b>	<b>(1,029,889)</b>
<b>Change in Unexpended Appropriations</b>	40,741	25,065
<b>Unexpended Appropriations, Ending Balance</b>	<b><u>\$ 956,173</u></b>	<b><u>\$ 915,432</u></b>

## **NOTE 16 – 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's 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's financial statements.

**NOTE 17 – Subsequent Events**

CNCS has evaluated subsequent events through November 14, 2016, 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 18 – Undelivered Orders at the End of the Period**

CNCS's undelivered orders as of September 30, 2016 and 2015 were \$1.1 and \$1.0 billion, respectively.



**NOTE 19 – Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations**

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions CNCS’s funds on both a quarterly and annual basis. Obligations incurred as of September 30, 2016 and 2015 were:

Consolidated Obligations Incurred through September 30 (dollars in thousands)				
Fiscal Year	Direct		Reimbursable	
2016	\$	1,297,084	\$	42,901
2015	\$	1,252,132	\$	48,617

**\$ 1,339,985**

**\$ 1,300,749**

**NOTE 20 – Contributed Capital (Donations)**

Under CNCS's authorizing legislation, donated funds may be accepted and used in furtherance of the purposes of the national service laws (42 U.S.C. 12651g (a)(2)(A)). Donated funds received by the CNCS as of September 30, 2016 and 2015 were \$17.1 and \$7.5 thousand, respectively.

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

We have audited the consolidated financial statements of the Corporation for National and Community Service (CNCS) and CNCS's National Service Trust Fund (Trust) as of and for the year ended September 30, 2016, and we have issued our reports thereon dated November 14, 2016. We conducted our audits 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 Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

### **Internal Control over Financial Reporting**

In planning and performing our audits of the consolidated financial statements, we considered CNCS'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of CNCS's internal control. Accordingly, we do not express an opinion on the effectiveness of CNCS's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 15-02. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 identified a



deficiency in internal control, described in the accompanying Schedule of Findings, that we consider to be a significant deficiency.

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

### **Status of Prior-Year Findings**

In the *Independent Auditor's Report on Internal Control over Financial Reporting* included in the audit report on CNCS's fiscal year (FY) 2015 financial statements,<sup>1</sup> we noted two issues that were related to internal control over financial reporting. The status of the FY 2015 internal control findings are summarized in **Table 1**.

**Table 1: Status of Prior-Year Findings**

<b>Control Deficiency</b>	<b>FY 2015 Status</b>	<b>FY 2016 Status</b>
Information Technology	Significant Deficiency	Control Deficiency
Internal Controls Program	Significant Deficiency	Significant Deficiency

### **CNCS's Response to Findings**

CNCS's response to the findings identified in our audits is described in a separate letter in Section II of the Agency Financial Report. CNCS's response was not subjected to the auditing procedures applied in our audits of the financial statements; accordingly, we do not express an opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing and not to provide an opinion on the effectiveness of CNCS's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 in considering CNCS's internal control. Accordingly, this report is not suitable for any other purpose.

Alexandria, Virginia  
November 14, 2016

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<sup>1</sup> *Independent Auditor's Report on Internal Control over Financial Reporting and Compliance with Applicable Provisions of Laws, Regulations, Contracts, and Grant Agreements*

## **Schedule of Findings**

### **Significant Deficiency**

#### **I. Internal Controls Program (Repeat Condition)**

The Corporation for National and Community Service (CNCS) is subject to the reporting requirements of the Government Corporation Control Act and is therefore subject to the Federal Managers' Financial Integrity Act (FMFIA); Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (Revised 07/15/2016); and the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* (also known as the "Green Book"), incorporated by reference within these requirements. Collectively, these laws, regulatory guidance, and standards require agencies to establish effective internal controls over program and financial operations. CNCS continues to implement a program to meet these requirements, but it does not yet have a fully functioning internal control monitoring process in place to determine the effectiveness of internal controls and support management's required annual assurance statement under FMFIA.

Effective in fiscal year (FY) 2016, CNCS's internal controls must meet the more robust requirements of the revised 2014 GAO Green Book, as well as the newly revised OMB Circular A-123. The lack of a fully functional internal controls program means that financial, operational, and compliance objectives may not be met and risks may not be adequately identified and mitigated. The areas where deficiencies exist are described in the following sections:

#### ***Governance and Oversight Not Fully Functional and Effective***

The governance and oversight of the internal controls program have not been fully functional for a majority of FY 2016. The Senior Risk Management Council (SRMC)/Risk Management Council (RMC) and senior leadership held eight meetings during FY 2016, with its fourth quarter RMC meeting held on September 27, 2016. Although a majority of the SRMC and RMC meeting requirements were met throughout FY 2016, actionable items to remediate the internal controls program did not fully begin to develop until the hiring of the Chief Risk Officer (CRO) in April 2016.

In FY 2016, CNCS also established the Risk and Assessment Committee (RAC). The RAC is tasked with assisting the Office of the Chief Risk Officer (OCRO) in implementing the agency's risk assessments and monitoring activities. As required by the RAC charter, members are required to meet quarterly. However, the RAC did not hold its initial kick-off meeting until September 26, 2016. Both the RMC and RAC meetings were either held late in the FY or did not provide enough governance and oversight of the internal controls program implementation for a majority of FY 2016.

Additionally, CNCS did not follow up on a majority of the agency's Corrective Action Plans (CAP) to ensure they had been implemented during FY 2016. This was due to the lack of tracking, monitoring, and testing of the corrective actions, as required by OMB Circular A-50, *Audit Followup*. Beginning in June 2016, CNCS assigned the responsibility to incorporate the tracking and monitoring of CAPs related to agency-wide audits and investigations to the Agency Audits and Investigations Coordinator. Furthermore, the Office of Grants Management (OGM) continues to monitor its own CAPs. There was no evidence that the current statuses of these CAPs were briefed in either the RMC or RAC meetings held in FY 2016. The lack of oversight by RMC or RAC means OGM is not being held accountable for its CAPs, although OGM made significant progress on resolving, in a timely manner, audit findings relating to the Office of Inspector General audits during FY 2016. Overall, CNCS's governance and oversight is still evolving and not fully effective in FY 2016.

### ***Incomplete Risk Assessment and Internal Controls Monitoring Processes***

While CNCS continues to improve its internal control risk assessment, the process remains incomplete in FY 2016. OCRO has developed a comprehensive questionnaire and assessment that aligns to the 17 principles described in the GAO Green Book, using the responses as a baseline and foundation for assessing the design of entity-level controls to meet CNCS's intended internal control objectives. However, the assessment evaluated only the design and implementation of entity-level controls, and it was not completed until July 2016. Due to the timing, CNCS was not able to address deficiencies identified through the assessment process, and it was the only risk assessment completed in FY 2016. While CNCS's assessment considered fraud risk in general, a more thorough assessment needs to be performed at the transaction and account levels. CNCS also does not have a formal means to incorporate Office of Inspector General (OIG) audit and investigation findings into its risk assessment process.

CNCS established the OCRO in FY 2016 to improve the effectiveness of the internal controls monitoring program, with specific attention towards Enterprise Risk Management. The CRO was appointed in late April 2016 and has since made strides in developing the program, specifically by completing the initial entity-level control assessment and addressing the financial statement audit CAPs with detailed actions to address each recommendation. However, due to the timing of the implementation of the OCRO, the CRO has not yet stood up a fully functional and operational program within FY 2016.

In FY 2015, CNCS performed some transaction-level testing related to grants, procurement, financial reporting, and information technology (IT) assets. Although transaction-level testing occurred, proper narratives and risk and control matrices were not yet in place to drive the transaction-level testing, thus not fully implementing a sound baseline for its internal control framework. Also, CNCS did not perform any transaction-level testing in FY 2016. OCRO plans to begin transaction-level testing on a sample basis in FY 2017.



During FY 2016, CNCS hired consultants to develop a written description of its grants management process (grant process narrative) to identify key controls. As of September 2016, this grant process narrative had not been completed and was still in draft form. In addition, neither tests of design nor tests of operating effectiveness were performed over the grants management area in FY 2016.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH 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 consolidated financial statements of the Corporation for National and Community Service (CNCS) and CNCS's National Service Trust Fund (Trust) as of and for the year ended September 30, 2016, and we have issued our reports thereon dated November 14, 2016. We conducted our audits 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 Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CNCS's consolidated financial statements are free from material misstatement, we performed tests of its compliance with provisions of applicable laws, regulations, contracts, and grant agreements, with which noncompliance could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to CNCS. Providing an opinion on compliance with those provisions was not an objective of our audits; 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* and OMB Bulletin No. 15-02.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on the effectiveness of CNCS's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 in considering CNCS's compliance. Accordingly, this report is not suitable for any other purpose.



Alexandria, Virginia  
November 14, 2016



## **APPENDIX**

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



Memorandum

Date: November 14, 2016

To: Deborah Jeffrey, Inspector General

From: Jeffrey Page, Chief Financial Officer

Subject: Independent Auditor's Report

Thank you for the opportunity to respond to the results of your audit of CNCS's Independent Auditor's Report. CNCS concurs with the conditions and recommendations it contains.

CNCS remains committed to improving the agency's internal control framework. While the agency has moved forward in addressing these recommendations, management is confident that the newly created Office of the Chief Risk Officer (OCRO) will begin to provide depth and structure to the nascent program. The Chief Risk Officer (CRO) is currently implementing a departmental work plan that will not only ensure consistent governance and communication on the status of risk mitigation but also provide the agency with the reporting it needs to strengthen its assurance over the effectiveness and efficiency of internal controls across the corporation.