

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

**AUDIT OF THE
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE'S
FISCAL YEAR 2014
NATIONAL SERVICE TRUST FUND
FINANCIAL STATEMENTS**

OIG REPORT 15-02

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 November 14, 2014.



November 14, 2014

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 2014 National Service Trust Fund Financial Statements,
OIG Report 15-02

We contracted with the independent certified public accounting firm of Kearney & Company, P.C. (Kearney) to audit the Corporation for National and Community Service's (Corporation) National Service Trust Fund financial statements (Trust financial statements) as of September 30, 2014 and 2013, 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 that the Trust financial statements present fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

In connection with the contract, we reviewed Kearney's report 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 Trust financial statements.

Kearney is responsible for the attached independent auditor's report, dated November 14, 2014, 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
Jeffrey Page, Chief Operating Officer and Acting Chief Financial Officer
Tom Hanley, Acting 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 Trust Financial Statements

We have audited the accompanying financial statements of the Corporation for National and Community Service (the Corporation) National Service Trust Fund (Trust), which comprise the statements of financial position as of September 30, 2014 and 2013, the related statements of operations and changes in net position, the statements of cash flows, and the combined statements of budgetary resources (SBR) (hereinafter referred to as the "Trust financial statements") for the years then ended, and the related notes to the Trust financial statements.

Management's Responsibility for the Trust Financial Statements

Management is responsible for the preparation and fair presentation of the Trust 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 Trust 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. 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 Trust financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Trust financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Trust 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 Trust 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 Trust 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 Trust financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of September 30, 2014 and 2013, 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 Matter

As discussed in Note 1 to the Trust financial statements, the 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 Trust SBR as a principal financial statement. The Corporation’s Trust SBR is prepared in accordance with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to these matters.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the Trust financial statements taken as a whole. The information contained in the National Service Trust Fund Status Report – September 2014, *Other Information*, section of the Fiscal Year 2014 Agency Financial Report is presented for purposes of additional analysis and is not a required part of the Trust financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the Trust financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02, we have also issued a report, dated November 14, 2014, on our consideration of the Corporation’s internal control over financial reporting and on 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, 2014. 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. That 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.

A handwritten signature in blue ink that reads "Kearney & Company".

Alexandria, Virginia
November 14, 2014

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
NATIONAL SERVICE TRUST FUND**

**FISCAL YEAR 2014 AND 2013
FINANCIAL STATEMENTS**

(Extracted From Fiscal Year 2014 Agency Financial Report)

Corporation for National and Community Service
National Service Trust Statements of Financial Position as of September 30
(dollars in thousands)

	2014	2013
Assets		
Fund Balance with Treasury (Note 2)	\$ 6,606	\$ 611
Investments, Net (Note 3)	717,304	692,243
Interest Receivable	669	922
Accounts Receivable, Net (Note 4)	229	234
Total Assets	\$ 724,808	\$ 694,010
Liabilities		
Service Award Liability (Note 5)	454,131	464,274
Net Position		
Cumulative Results of Operations (Note 6)	270,677	229,736
Total Liabilities and Net Position	\$ 724,808	\$ 694,010

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

Corporation for National and Community Service
National Service Trust Statements of Operations and Changes in Net Position
for the Periods Ended September 30 *(dollars in thousands)*

	2014	2013
Revenues		
Appropriations (Note 7)	\$ 207,387	\$ 200,719
Transfer in of Program Funds	5,109	22,849
Interest	2,442	3,133
Other Revenue	3,418	6,054
Total Revenues	\$ 218,356	\$ 232,755
Expenses		
Service Award Expense	177,407	199,568
Write off/Recovery of Receivables	8	27
Total Expenses (Note 8)	\$ 177,415	\$ 199,595
Excess of Revenues Over Expenses	\$ 40,941	\$ 33,160
Net Position		
Excess of Revenues Over Expenses	40,941	33,160
Net Position, Beginning of Year	229,736	196,576
Net Position, End of Year	\$ 270,677	\$ 229,736

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

Corporation for National and Community Service
National Service Trust Statements of Cash Flows
for the Periods Ended September 30 *(dollars in thousands)*

CASH FLOWS FROM OPERATING ACTIVITIES	2014	2013
Net of Revenue over Expenses	\$ 40,941	\$ 33,160
Adjustments Affecting Cash Flow:		
Amortization of Premium/Discount on Investments	(613)	1,795
Appropriations Received in Trust	(212,496)	(223,568)
Decrease/(Increase) in Accounts Receivable	5	18
Decrease/(Increase) in Interest Receivable	253	136
Increase/(Decrease) in Trust Liability	(10,143)	17,083
Total Adjustments	(222,994)	(204,536)
Net Cash Provided/(Used) by Operating Activities	(182,053)	(171,376)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Assets	867,395	729,799
Purchase of Securities	(891,843)	(786,331)
Net Cash Provided/(Used) in Investing Activities	(24,448)	(56,532)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received in Trust	212,496	223,568
Net Cash Provided by Financing Activities	212,496	223,568
Net Increase/(Decrease) in Fund Balance with Treasury	5,995	(4,340)
Fund Balance with Treasury, Beginning	611	4,951
Fund Balance with Treasury, Ending	\$ 6,606	\$ 611

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

Corporation for National and Community Service
National Service Trust Statements of Budgetary Resources
for the Periods Ended September 30 *(dollars in thousands)*

BUDGETARY RESOURCES	2014	2013
Unobligated balance, brought forward, October 1	\$ 96,820	\$ 76,053
Budget authority:		
Appropriations (discretionary and mandatory)	217,545	224,863
Spending authority from offsetting collections:		
Spending Authority from offsetting collections (total)	<u>3,418</u>	<u>6,054</u>
Total budgetary resources	<u>\$ 317,783</u>	<u>\$ 306,970</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred		
Obligations incurred (total)	<u>218,762</u>	<u>210,150</u>
Unobligated balance		
Apportioned	48,351	46,623
Unobligated balance not available	<u>50,670</u>	<u>50,197</u>
Total unobligated balance, end of year	<u>99,021</u>	<u>96,820</u>
Total budgetary resources	<u>\$ 317,783</u>	<u>\$ 306,970</u>

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

(Continued)

Corporation for National and Community Service
National Service Trust Statements of Budgetary Resources
for the Periods Ended September 30 *(dollars in thousands)*

CHANGE IN OBLIGATED BALANCE	2014	2013
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	\$ 592,131	\$ 564,476
Obligations incurred	218,762	210,150
Outlays (gross) (-)	<u>(187,553)</u>	<u>(182,495)</u>
Unpaid Obligations, end of year	\$ 623,340	\$ 592,131
Memorandum entries:		
Obligated balance, start of year	<u>\$ 592,131</u>	<u>\$ 564,476</u>
Obligated balance, end of year	<u><u>\$ 623,340</u></u>	<u><u>\$ 592,131</u></u>
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 220,964	\$ 230,917
Change in uncollected customer payments from federal sources	<u>(3,418)</u>	<u>(6,054)</u>
Budget authority, net (discretionary and mandatory)	<u><u>\$ 217,545</u></u>	<u><u>\$ 224,863</u></u>
Outlay, gross (discretionary and mandatory)	187,553	182,495
Actual offsetting collections	<u>(3,418)</u>	<u>(6,054)</u>
Outlays, net (discretionary and mandatory)	\$ 184,134	\$ 176,441
Distributed offsetting receipts	<u>(212,496)</u>	<u>(223,568)</u>
Agency Outlays, net (discretionary and mandatory)	<u><u>\$ (28,361)</u></u>	<u><u>\$ (47,127)</u></u>

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

NOTE 1—Summary of Significant Accounting Policies

A. REPORTING ENTITY

The National Service Trust Fund (the Trust) was established by the National and Community Service Trust Act of 1993 (The Act), 42 USC 12601, et seq. to provide funds for Segal AmeriCorps Education Awards for eligible participants who complete AmeriCorps service. The activities of the Trust are funded primarily through the annual Departments of Labor, Health and Human Services, Education and Related Agencies Appropriations Act, which funds National and Community Service Act programs. Appropriations are provided on a no-year basis for the Trust, a fund within the Corporation used to provide education awards and student loan interest forbearance to eligible participants. Trust appropriations do not expire with the passage of time and are retained by the Corporation in the Trust until used for eligible purposes.

The Trust provides awards for AmeriCorps members serving in approved national service positions under AmeriCorps State and National, AmeriCorps NCCC, and AmeriCorps VISTA. The trust also makes awards to the AmeriCorps Education Award Program, where sponsoring organizations are responsible for providing member subsistence and other costs, and the Corporation provides an education award and a small amount for administrative costs. Programs have up to two years after an award to enroll members in positions.

Funds from the Trust may be expended for the purpose of providing an education award or student loan interest forbearance payment and must always be paid 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 Trust may also expend funds for payments under the President's Freedom Scholarship Program as authorized under various Corporation appropriations through fiscal 2007.

B. BASIS OF ACCOUNTING

The Statements of Financial Position; Operations and Changes in Net Position, Cash Flows and Budgetary Resources have been prepared from the books and records of CNCS in accordance with Generally Accepted Accounting Principles (GAAP) as required by the Government Corporation Control Act (Act) and Executive Order 13331, National and Community Service Programs.

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 Corporation 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 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 standard 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.

D. BUDGETS AND BUDGETARY ACCOUNTING

The activities of the National Service Trust Fund are primarily funded through the annual Departments of Labor, Health and Human Services, 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, 2014, the carrying amounts of Fund Balance with Treasury, Accounts Receivable, Accrued Interest Receivable, and Liabilities approximate their fair value.

F. FUND BALANCE WITH TREASURY

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

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'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, 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, is included in the interest receivable balance at year-end.

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. ACCOUNTS RECEIVABLE

Accounts receivable represents amounts due to CNCS primarily related to grantee audit resolution determinations. An allowance for doubtful accounts is established for reporting purposes based on past experience.

J. TRUST SERVICE AWARD LIABILITY

The Trust Service Award Liability represents education awards that are unpaid earned, or expected to be earned, 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.

K. 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.

L. NET POSITION

Net Position represents Net Assets and is comprised of cumulative results of operations. Cumulative results of operations represent the net differences between revenues and expenses from the inception of CNCS.

M. REVENUE RECOGNITION

Appropriations received for CNCS's 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.

Transfer in of Program Funds. Transfers in of program funds are recognized as revenue when funds are transferred from subtitle C pursuant to 42 USC 1260.

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.

Other Revenue. CNCS's engagements in federal partnerships allow the Trust Fund to be reimbursed for Segal AmeriCorps Education Awards earned by members supporting activities of the partnership. The revenue from these partnerships is recognized as Other revenue when earned.

N. 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.

O. 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.

P. COMPARATIVE DATA

The National Trust Fund financial statements provide comparative information for FY 2014 and 2013.

Q. 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 of the National Service Trust Fund once funds are exhausted for their intended purpose. 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 Trust Funds of \$6.6 million in FY 2014 and \$611 thousand in FY 2013 that are considered restricted.

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.

Unexpended Balances as of September 30, 2014 *(dollars in thousands)*

Type	Restricted	Total
FBWT	\$ 6,606	\$ 6,606
Investments and Related Receivables	717,973	717,973
Total	\$ 724,579	\$ 724,579

Status of Unexpended Balances as of September 30, 2014 *(dollars in thousands)*

Type	Restricted	Total
Unobligated:		
Available	\$ 51,042	\$ 51,042
Unavailable	50,197	50,197
Obligated not yet Disbursed	623,340	623,340
Total	\$ 724,579	\$ 724,579

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

Type	Restricted	Total
FBWT	\$ 611	\$ 611
Investments and Related Receivables	693,165	693,165
Total	\$ 693,776	\$ 693,776

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

Type	Restricted	Total
Unobligated:		
Available	\$ 51,448	\$ 51,448
Unavailable	50,197	50,197
Obligated not yet Disbursed	592,131	592,131
Total	\$ 693,776	\$ 693,776

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)*

	2014	2013
Investments, Carrying Value	\$ 717,304	\$ 692,243
Interest Receivable	669	922
Total	\$ 717,973	\$ 693,165

Amortized Cost and Fair Value of Investment Securities as of September 30, 2014 *(dollars in thousands)*

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 459,781	\$ 596	\$ 460,377
Bills	257,523	37	257,560
Total	\$ 717,304	\$ 633	\$ 717,937

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

At September 30, 2014, the notes held at year-end had an interest rate range of 0.125 percent to 4.25 percent. The bills held at year-end had an interest rate range of 0.250 percent to 0.625 percent. The par values of these notes range from \$18 million to \$148.3 million. The fair value of the bills and notes is based on bid and ask prices quoted by the Treasury as of September 30, 2014 and 2013.

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, 2014, \$50.2 million of CNCS's 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)

Held-to-Maturity Securities	2014		2013	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	\$ 537,761	\$ 538,417	\$ 441,185	\$ 441,710
Due after 1 year up to 5 years	179,543	179,520	251,058	252,104
Total	\$ 717,304	\$ 717,937	\$ 692,243	\$ 693,814

NOTE 4 – Accounts Receivables, Net

Accounts Receivable as of September 30 (dollars in thousands)

	Trust Fund	Total
2014		
Accounts receivable	\$ 274	\$ 274
Less: allowance for loss on receivables	(45)	(45)
Accounts Receivable, Net	\$ 229	\$ 229
2013		
Accounts receivable	\$ 281	\$ 281
Less: allowance for loss on receivables	(47)	(47)
Accounts Receivable, Net	\$ 234	\$ 234

NOTE 5—Trust Service Award Liability

GAAP requires the recording of a liability, which is a point in time estimate, for the unpaid earned and expected-to-be-earned education award and interest forbearance costs that are likely to be paid. GAAP estimates are for members who have already completed at least 15 percent of the minimum service requirement and who, therefore, have served enough hours to qualify for at least a partial education award.

The estimate of the Service Award Liability under GAAP includes factors that take into account the effect of members who enroll but do not earn an award and members who earn an award but do not use it within the period of availability. CNCS estimates that up to 87 percent of members earning an award will eventually use it.

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)*

	2014	2013
Education awards	\$ 2,469,053	\$ 2,301,708
Interest forbearance	89,677	79,604
President's Freedom Scholarship Program	<u>22,527</u>	<u>22,527</u>
Total estimated service award liability	2,581,257	2,403,839
Less: cumulative awards paid	<u>2,127,126</u>	<u>1,939,565</u>
Total	<u>\$ 454,131</u>	<u>\$ 464,274</u>

Since the Corporation's inception in 1994, AmeriCorps members have earned over \$2.9 billion in education awards. The Corporation has made \$2.0 billion in payments to educational institutions and student loan holders on these awards. In addition, the Corporation has made \$82.2 million in interest forbearance payments since the program's inception. Approximately \$300.84 million in education awards earned had expired without being used as of September 30, 2014. The Trust obligation formula has been adjusted to reflect these expired awards. Payments for President's Freedom Scholarships have totaled \$21.7 million.

The net Service Award Liability as of September 30, 2014 decreased by approximately \$10.1 million from the net Service Award Liability as of September 30, 2013. 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 FY 2007; however, because students have up to seven years to use the scholarship, some payments will continue to be made through 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 6—Net Positions

Net position consists of cumulative results of operations. The cumulative result of operations for the Trust Fund was \$270.7 million in FY 2014 and \$229.7 million in FY 2013, respectively.

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 financial of position of the Trust Fund in the amounts of \$270.7 million in FY 2014 and \$229.7 million in FY 2013 is temporarily restricted.

NOTE 7—Appropriations Received by the National Service Trust

For FY 2014, the National Service Trust received \$207.4 million under the Consolidated Appropriations Act, 2014 (Public Law 113-76). For FY 2013, the National Service Trust received \$200.7 million under the Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6). 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 \$5.1 million and \$22.8 million to the Trust under this provision in FY 2014 and 2013, respectively.

NOTE 8—Expenses

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

The National Service Award Expense component consists of 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.

Expenses by Sub-Program for the Period Ended September 30, 2014 *(dollars in thousands)*

Type	State/National	AmeriCorps		Total
		NCCC	VISTA	
Service award expense	155,001	3,766	18,640	177,407
Total Expenses	\$ 155,001	\$ 3,766	\$ 18,640	\$ 177,407

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

Type	State/National	AmeriCorps		Total
		NCCC	VISTA	
Service award expense	171,188	8,484	19,896	199,568
Total Expenses	\$ 171,188	\$ 8,484	\$ 19,896	\$ 199,568

NOTE 9—Subsequent Events

CNCS has evaluated subsequent events through November 14, 2014, 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 10—Undelivered Orders at Fiscal Year-End

Trust Fund undelivered orders at September 30, 2014 and 2013 were \$169.2 and \$127.9 million, respectively.

NOTE 11—Apportionment Categories of Incurred Obligations

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions Trust funds on an annual basis. Obligations incurred in the Trust Fund during FY 2014 and 2013 were \$623.3 and \$592.1 million, respectively.

APPENDIX

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



Memorandum

Date: November 14, 2014

To: Deborah Jeffrey, Inspector General

From: Jeffrey Page, Acting Chief Financial Officer

Subject: Draft Report on the Fiscal Year 2014 (FY 2014) National Service Trust Fund Financial Statements

Thank you for the opportunity to respond to the draft report on the results of your audit of the FY 2014 National Service Trust Fund financial statements. I am pleased that we can report the Corporation for National and Community Service (CNCS) maintained an unmodified opinion.

CNCS is dedicated to continuous improvements and committed to implementing a sound governance and oversight framework to maximize the agency's fiscal stewardship as we embark upon the new fiscal year. This reflects CNCS' commitment to continuously improving our operations.