

# Office of Inspector General Corporation for National and Community Service

## AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S FISCAL YEAR 2009 FINANCIAL STATEMENTS

Audit Report Number 10- 01



Corporation for  
**NATIONAL &  
COMMUNITY  
SERVICE** 

Prepared by:

CLIFTON GUNDERSON LLP  
11710 Beltsville Drive  
Calverton, Maryland 20705

This report was issued to Corporation management on November 13, 2009. 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 13, 2010, and complete its corrective actions by November 12, 2010. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

November 13, 2009

TO: Nicola Goren  
Acting Chief Executive Officer

FROM: Kenneth Bach /s/  
Acting Inspector General

SUBJECT: Audit of the Corporation for National and Community Service's  
Fiscal Year 2009 Financial Statements  
OIG Audit Report Number 10-01

We contracted with the independent certified public accounting firm of Clifton Gunderson LLP (Clifton) to audit the consolidated financial statements of the Corporation for National and Community Service (Corporation) as of September 30, 2009 and 2008, and for the years then ended. The contract required that the audit be performed in accordance with generally accepted government auditing standards.

In its audit, Clifton found

- The financial statements were fairly presented, in all material respects, in conformity with generally accepted accounting principles;
- No material weaknesses or significant deficiencies in the Corporation's internal controls;
- No instances of noncompliance with relevant laws and regulations.

Clifton Gunderson is responsible for the attached auditor's report, dated November 10, 2009, and the conclusions expressed therein. The Office of Inspector General does not express an opinion on the Corporation's Financial Statements or Clifton's conclusions about the effectiveness of internal control or compliance with laws and regulations.

Attachment

cc: William Anderson, Acting Chief Financial Officer  
Frank Trinity, General Counsel  
Kristin McSwain, Chief of Program Operations  
Rocco Gaudio, Deputy CFO for Planning and Program Management  
Mary Cadagin, Chief Information Officer  
Bridgette Roy, Audit Liaison and Administrative Assistant  
Bill Oliver, Engagement Partner, Clifton Gunderson LLP (without attachment)

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Senior Corps ★ AmeriCorps ★ Learn and Serve America

## Independent Auditor's Report

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

We have audited the accompanying consolidated statements of financial position of the Corporation for National and Community Service (Corporation) as of September 30, 2009 and 2008, and the related consolidated statements of operations and changes in net position and cash flows, and the combined statements of budgetary resources (hereinafter referred to as the "financial statements") for the years then ended. These financial statements are the responsibility of Corporation management. 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 applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of September 30, 2009 and 2008, and the results of its operations and changes in net position, budgetary resources, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 10, 2009, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations and other matters. 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, not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Clifton Gunderson LLP*

Calverton, Maryland  
November 10, 2009

**Corporation for  
National & Community Service  
Fiscal Year 2009 and 2008  
Consolidated Financial Statements**

## **CONSOLIDATED FINANCIAL STATEMENTS**

These consolidated financial statements report the Corporation for National and Community Service's financial position, results of operations, cash flows, and budgetary resources, as required by the Government Corporation Control Act (Act) and Executive Order 13331, National and Community Service Programs. The Government Corporation Control Act requires that government corporations submit an annual report to the Congress within 180 days of the fiscal year end. As specified in the Act, the principal financial statements of the Corporation 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 the Corporation's revenues and expenses for the year and the changes in net position that occurred during the year.
- Statement of Cash Flows, which shows how changes in the Corporation's financial position and results affected its cash (Fund Balance with Treasury), and breaks the analysis down according to operating, investing, and financing activities.

In addition, under the requirements of EO 13331, the Corporation prepares a Statement of Budgetary Resources (SBR). The SBR provides information about the budgetary resources made available to the Corporation as well as the status of those resources at the end of the fiscal year.

These financial statements present comparative information for fiscal 2009 and 2008. For fiscal 2009, the Corporation's financial statements, for the tenth consecutive year, received an unqualified opinion. This opinion recognizes that the Corporation's financial statements are fairly presented, in all material respects, and in conformity with generally-accepted accounting principles.

### **Limitations of the Financial Statements**

The principal financial statements have been prepared in compliance with the reporting requirements described above. The Corporation's financial statements published herein are in addition to the financial reports it uses to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources to do so.

### **Passage of the Edward M. Kennedy Serve America Act**

On April 21, 2009, the Edward M. Kennedy Serve America Act (Public Law 111-13) reauthorized and expanded the mission and operations of the Corporation. However, the provisions of Public Law 111-13 did not take effect until October 1, 2009. Therefore, these financial statements and the accompanying notes do not reflect activities and operations under the amendments made by the Edward M. Kennedy Serve America Act.

**Corporation for National and Community Service  
Consolidated Statements of Financial Position**

**As of September 30**

*(dollars in thousands)*

<b>ASSETS</b>	<b>2009</b>	<b>2008</b>
Fund Balance with Treasury <i>(Note 2)</i>	\$ 950,532	\$ 822,989
Trust Investments and Related Receivables <i>(Note 3)</i>	519,838	483,880
Advances to Others	67,521	59,388
Accounts Receivable, Net <i>(Note 4)</i>	2,763	2,616
Property and Equipment, Net <i>(Note 5)</i>	<u>1,709</u>	<u>3,043</u>
<b>Total Assets</b>	<b><u>\$ 1,542,363</u></b>	<b><u>\$ 1,371,916</u></b>
<b>LIABILITIES</b>		
Trust Service Award Liability <i>(Note 6)</i>	\$ 324,067	\$ 303,367
Grants Payable	105,084	89,456
Accounts Payable	2,031	7,231
Actuarial FECA Liability <i>(Note 8)</i>	11,365	11,638
Other Liabilities	16,774	14,200
Accrued Annual Leave	3,120	3,164
Advances from Others	14	290
Capital Lease Liability	<u>-</u>	<u>250</u>
<b>Total Liabilities</b>	<b>462,455</b>	<b>429,596</b>
Contingencies <i>(Note 14)</i>		
<b>NET POSITION</b>		
Unexpended Appropriations	890,956	769,016
Cumulative Results of Operations	<u>188,952</u>	<u>173,304</u>
<b>Total Net Position <i>(Note 9)</i></b>	<b>1,079,908</b>	<b>942,320</b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,542,363</u></b>	<b><u>\$ 1,371,916</u></b>

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

**Corporation for National and Community Service**  
**Consolidated Statements of Operations and Changes in Net Position**  
**For the Years Ended September 30**

*(dollars in thousands)*

REVENUE	2009	2008
Appropriated Capital Used	\$ 770,708	\$ 748,580
Appropriations Transferred to the Trust Fund <i>(Note 10)</i>	174,932	138,785
Interest	12,236	17,804
Other	12,598	8,887
<b>Total Revenue</b>	<u>970,474</u>	<u>914,056</u>
EXPENSES		
AmeriCorps	661,482	630,424
SeniorCorps	238,805	236,794
Learn and Serve America	47,812	42,436
Subtotal - Program Expenses	<u>948,099</u>	<u>909,654</u>
Pass-through Grants	682	163
Office of the Inspector General	6,045	6,284
<b>Total Expenses <i>(Note 11)</i></b>	<u>954,826</u>	<u>916,101</u>
<b>Net of Revenue Over Expenses</b>	<u>\$ 15,648</u>	<u>\$ (2,045)</u>
NET POSITION		
Net of Revenue over Expenses	\$ 15,648	\$ (2,045)
Increase/(Decrease) in Unexpended Appropriations, Net <i>(Note 9)</i>	<u>121,940</u>	<u>(59,581)</u>
Increase/(Decrease) in Net Position, Net	137,588	(61,626)
Net Position, Beginning Balance	<u>942,320</u>	<u>1,003,946</u>
<b>Net Position, Ending Balance <i>(Note 9)</i></b>	<u>\$ 1,079,908</u>	<u>\$ 942,320</u>

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

**Corporation for National and Community Service**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended September 30**

*(dollars in thousands)*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2009</b>	<b>2008</b>
Net of Revenue over Expenses	\$ 15,648	\$ (2,045)
Adjustments Affecting Cash Flow:		
Appropriated Capital Used	(770,708)	(748,580)
Appropriations Received in Trust	(174,932)	(138,785)
Decrease/(Increase) in Accounts Receivable	(147)	631
Decrease/(Increase) in Interest Receivable	(141)	(697)
Decrease/(Increase) in Advances	(8,133)	2,587
Increase/(Decrease) in Accounts Payable and Other Liabilities	(2,626)	2,147
Increase/(Decrease) in FECA and Annual Leave Liabilities	(317)	(249)
Increase/(Decrease) in Capital Lease Liability	(250)	-
Increase/(Decrease) in Trust Liability	20,700	22,770
Increase/(Decrease) in Grants Payable	15,628	(10,349)
Amortization of Premium/Discount on Investments	1,647	(4,192)
Depreciation, Amortization, and Loss on Disposition of Assets	1,334	1,731
Total Adjustments	<u>(917,945)</u>	<u>(872,986)</u>
<b>Net Cash Provided/(Used) by Operating Activities</b>	<u><b>(902,297)</b></u>	<u><b>(875,031)</b></u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	-	(2,667)
Sales of Securities	844,999	1,093,279
Purchase of Securities	<u>(882,739)</u>	<u>(1,106,881)</u>
<b>Net Cash Provided/(Used) in Investing Activities</b>	<u><b>(37,740)</b></u>	<u><b>(16,269)</b></u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Appropriations Received, Net of Trust	1,090,866	871,558
Rescissions and Cancellations	<u>(23,286)</u>	<u>(43,774)</u>
<b>Net Cash Provided by Financing Activities</b>	<u><b>1,067,580</b></u>	<u><b>827,784</b></u>
 <b>Net Increase/(Decrease) in Fund Balance with Treasury</b>	<b>127,543</b>	<b>(63,516)</b>
 <b>Fund Balance with Treasury, Beginning</b>	<u><b>822,989</b></u>	<u><b>886,505</b></u>
 <b>Fund Balance with Treasury, Ending</b>	<u><b>\$ 950,532</b></u>	<u><b>\$ 822,989</b></u>

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

**Corporation for National and Community Service  
Combined Statements of Budgetary Resources  
For the Years Ended September 30**

*(dollars in thousands)*

<b>BUDGETARY RESOURCES</b>	2009	2008
Unobligated balance, brought forward, October 1	\$ 145,061	\$ 177,320
Recoveries of prior year unpaid obligations	25,335	40,444
Budget authority:		
Appropriation	1,273,580	1,027,007
Spending authority from offsetting collections:		
Collected	13,075	9,070
Change in receivables from Federal sources	(338)	(491)
Change in unfilled customer orders:		
Advance received	(276)	374
Without advance from Federal sources	(932)	65
Total budget authority	1,285,109	1,036,025
Permanently not available	(23,286)	(43,843)
<b>Total budgetary resources</b>	<b><u>\$ 1,432,219</u></b>	<b><u>\$ 1,209,946</u></b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations incurred ( <i>Note 16</i> )	\$ 1,244,611	\$ 1,064,885
Unobligated balance:		
Apportioned	104,506	2,927
Unobligated balance not available	83,102	142,134
<b>Total status of budgetary resources</b>	<b><u>\$ 1,432,219</u></b>	<b><u>\$ 1,209,946</u></b>

*(Continued)*

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

**Corporation for National and Community Service  
Combined Statements of Budgetary Resources  
For the Years Ended September 30**

*(dollars in thousands)*

*(Continued)*

	2009	2008
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated balance, net:		
Unpaid obligations, brought forward, October 1	\$ 1,150,605	\$ 1,165,718
Uncollected customer payments from Federal sources, brought forward, October 1	<u>(1,270)</u>	<u>(1,694)</u>
Total unpaid obligated balance, net	1,149,335	1,164,024
Obligations incurred, net	1,244,611	1,064,885
Gross outlays	(1,104,109)	(1,039,557)
Recoveries of prior year unpaid obligations, actual	(25,335)	(40,444)
Change in uncollected customer payments from Federal sources	<u>1,270</u>	<u>427</u>
<b>Total unpaid obligated balance, net, end of period</b>	<b><u>\$ 1,265,772</u></b>	<b><u>\$ 1,149,335</u></b>
Obligated balance, net, end of period:		
Unpaid obligations	\$ 1,265,772	\$ 1,150,605
Uncollected customer payments from Federal sources	<u>-</u>	<u>(1,270)</u>
<b>Total unpaid obligated balance, net, end of period</b>	<b><u>\$ 1,265,772</u></b>	<b><u>\$ 1,149,335</u></b>
<b>NET OUTLAYS</b>		
Gross outlays	\$ 1,104,109	\$ 1,039,557
Offsetting collections	(12,799)	(9,444)
Distributed offsetting receipts	<u>(175,838)</u>	<u>(140,450)</u>
<b>Net outlays</b>	<b><u>\$ 915,472</u></b>	<b><u>\$ 889,663</u></b>

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. REPORTING ENTITY

The Corporation for National and Community Service (Corporation) was created by the National and Community Service Trust Act of 1993 (Public Law 103-82). The Corporation's mission in fiscal year 2009 was to improve lives, strengthen communities, and foster civic engagement through service and volunteering. To meet its mission, the Corporation provided grants and other assistance to States, local municipalities, and not-for-profit organizations to help communities meet critical challenges in the areas of education, public safety, human needs, and the environment through volunteer service. The Corporation's major programs in fiscal year 2009 were:

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

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

- *State, National, Tribes, and Territories* (State and National) offers grants supporting a broad range of local service programs that engage thousands of Americans in intensive service to meet critical community needs.
- *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.
- *National Civilian Community Corps* (NCCC) strengthens communities while developing leaders through direct, team-based national and community service.

**Learn and Serve America.** Learn and Serve America supports programs in schools, colleges, and community-based organizations that link community service to educational objectives.

The Corporation for the most part administered its programs in fiscal year 2009 from the following trust, gift and appropriated funds:

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

- *National Service Trust (the Trust)*, from which the Corporation provided education awards and interest forbearance for volunteers under the AmeriCorps' State and National; NCCC; and VISTA programs.
- *Gifts and Contributions*, into which the Corporation deposited gifts and contributions from individuals and organizations for use in furthering the Corporation's goals.

#### **Appropriated Funds:**

- *Operating Expenses*, from which the Corporation funded the Senior Corps, AmeriCorps, and Learn and Serve programs.
- *Salaries and Expenses*, from which the Corporation funded its general administrative expenses.

- *Office of Inspector General*, from which the Corporation funded the expenses of the OIG.
- *VISTA Advance Payment Revolving Fund*, from which the Corporation paid the living allowances for VISTA members enrolled under cost share agreements with sponsoring organizations. The Corporation is reimbursed for these costs by the sponsoring organization. Despite the account title, the 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 the Corporation 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 for fiscal year 2009:

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

## **B. BASIS OF ACCOUNTING AND PRESENTATION**

The accompanying financial statements report the financial position, results of operations, cash flows, and budgetary resources of the Corporation, as required by the Government Corporation Control Act (31 USC 9106) and Executive Order 13331.

The accompanying Consolidated Statements of Financial Position, Operations and Changes in Net Position, and Cash Flows have been prepared from the books and records of the Corporation in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to Federal governmental corporations. These statements include the Corporation's activities related to providing grants and other assistance to eligible states, local governments, and not-for-profit organizations as well as education awards to eligible national service participants.

The accompanying Combined Statements of Budgetary Resources (SBR) have been prepared from the books and records of the Corporation in accordance with the form and content requirements pertaining to it in the Office of Management and Budget (OMB) Circular No. A-136, "Financial Reporting Requirements", and GAAP. GAAP, as it relates to the SBR, is prescribed by the Federal Accounting Standards Advisory Board, which is the official accounting standard-setting body for the Federal government.

### ***C. BUDGETS AND BUDGETARY ACCOUNTING***

The activities of the Corporation are primarily funded through the annual Departments of Labor, Health and Human Services, Education and Related Agencies Appropriation Act. The Corporation'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.

### ***D. FUND BALANCE WITH TREASURY***

Fund Balance with Treasury (FBWT) represents the Corporation's cash accounts with the Department of the Treasury (the Treasury). The Treasury processes cash receipts and disbursements on behalf of the Corporation and the Corporation's accounting records are reconciled with those of the Treasury on a regular basis. The Corporation's FBWT includes all of its appropriated and trust funds.

The FBWT maintained in the National Service Trust is restricted to specific purposes, such as paying service awards earned by eligible participants, and are not available for use in the current operations of the Corporation. 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.

### ***E. INVESTMENTS AND RELATED RECEIVABLES***

By law, the Corporation 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, the Corporation'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 the Corporation. Such interest, if any, at year-end is included in the interest receivable balance.

### ***F. ADVANCES TO OTHERS***

The Corporation 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 Corporation-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.

#### ***G. ACCOUNTS RECEIVABLE***

Accounts receivable represents amounts due to the Corporation 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.

#### ***H. PROPERTY AND EQUIPMENT***

Property and Equipment is stated at full cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation (or amortization). Property and Equipment also includes assets acquired through capital leases, which are initially recorded at the amount recognized as a liability for the capital lease at its inception. Normal maintenance and repair costs on capitalized property and equipment are expensed when incurred. The Corporation's general policy is to capitalize Property and Equipment if the initial acquisition price is \$50 thousand or more. Property and equipment with an estimated useful life that extends beyond the year of acquisition is capitalized at historical cost and is depreciated (or amortized) on a straight-line basis over estimated useful lives ranging from two to 10 years, using the half-year convention.

#### ***I. 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, which are expected to be used. These amounts relate to participants who have completed service or are currently enrolled in an approved national service position and are expected to earn an award, based on the Corporation's historical experience.

#### ***J. GRANTS PAYABLE***

Grants are made to nonprofit organizations, educational institutions, states, municipalities, and other external organizations. Grants become budgetary obligations, but not liabilities, when they are awarded. At the end of each fiscal year, the Corporation reports the total amount of unreimbursed grantee expenses, which are properly payable under the terms of grant agreements, as grants payable.

#### ***K. ACCOUNTS PAYABLE***

The Corporation 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 entities for goods and services received by the Corporation, but not paid for at the end of the fiscal year.

#### ***L. ACTUARIAL FECA LIABILITY***

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

#### ***M. OTHER LIABILITIES***

Other liabilities include amounts owed but not paid at the end of the fiscal year for payroll and benefits and VISTA stipends. Also included as other liabilities is the amount of claims for benefits for Corporation employees under FECA that have been paid by DOL and billed to the Corporation but have not yet been reimbursed to DOL.

#### ***N. 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.

#### ***O. 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 the Corporation entered to provide services.

#### ***P. NET POSITION***

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

#### ***Q. REVENUES***

***Appropriated Capital Used.*** The Corporation recognizes its use of appropriated capital as revenue at the time it is expended 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 is no longer available for obligation and is cancelled. Unpaid obligations recorded against cancelled appropriated capital are paid from currently available appropriated funds as payments.

Appropriations received for the Corporation'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 the Corporation in the Trust until used for eligible education service award purposes.

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

**Revenue from Services Provided.** The Corporation 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.

**Other Revenue.** Other revenue consists of gifts and donations for the support of Corporation operations or service projects from individuals and organizations.

## **R. RETIREMENT BENEFITS**

The Corporation'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, the Corporation contributes 7.0 percent of their basic pay. For those employees covered by FERS, the Corporation 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, the Corporation contributes an automatic one percent of basic pay to TSP and matches employee contributions up to an additional 4 percent of pay, for a maximum Corporation contribution amounting to 5 percent of pay. Employees under CSRS may participate in the TSP, but will not receive either the Corporation's automatic or matching contributions.

The Corporation made retirement contributions of \$419 and \$473 thousand to the CSRS, and \$7.8 and \$8.2 million to FERS and TSP in fiscal years 2009 and 2008, respectively.

## **S. INCOME TAXES**

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

## **T. USE OF ESTIMATES**

The preparation of financial statements in accordance with GAAP requires management to make certain estimates. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

## **U. RECLASSIFICATIONS**

Certain prior year amounts have been reclassified to conform to current year presentation.

**NOTE 2 – FUND BALANCE WITH TREASURY**

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

- **Appropriated Funds** – Appropriated funds are received through congressional appropriations to provide financing sources for the Corporation’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 Program.
- **Gift Funds** – Gift Funds are funds received from individuals and organizations as donations in furtherance of the purposes of national service laws.

Fund Balance with Treasury as of September 30, 2009 <i>(dollars in thousands)</i>			
Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 949,192	\$ -	\$ 949,192
Trust Funds	-	452	452
Gift Funds	-	888	888
<b>Total</b>	<b>\$ 949,192</b>	<b>\$ 1,340</b>	<b>\$ 950,532</b>

Fund Balance with Treasury as of September 30, 2008 <i>(dollars in thousands)</i>			
Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 821,954	\$ -	\$ 821,954
Trust Funds	-	227	227
Gift Funds	-	808	808
<b>Total</b>	<b>\$ 821,954</b>	<b>\$ 1,035</b>	<b>\$ 822,989</b>

NOTE 2 – FUND BALANCE WITH TREASURY – CONTINUED

Unexpended Balances as of September 30, 2009 (dollars in thousands)			
Type	Unrestricted	Restricted	Total
FBWT	\$ 949,192	\$ 1,340	\$ 950,532
Investments	-	519,838	519,838
<b>Total</b>	<b>\$ 949,192</b>	<b>\$ 521,178</b>	<b>\$ 1,470,370</b>

Status of Unexpended Balances as of September 30, 2009 (dollars in thousands)			
Type	Unrestricted	Restricted	Total
Unobligated:			
Available	\$ 127,155	\$ 13,763	\$ 140,918
Unavailable	-	63,680	63,680
Obligated not yet Disbursed	822,037	443,735	1,265,772
<b>Total</b>	<b>\$ 949,192</b>	<b>\$ 521,178</b>	<b>\$ 1,470,370</b>

Unexpended Balances as of September 30, 2008 (dollars in thousands)			
Type	Unrestricted	Restricted	Total
FBWT	\$ 821,954	\$ 1,035	\$ 822,989
Investments	-	483,880	483,880
<b>Total</b>	<b>\$ 821,954</b>	<b>\$ 484,915</b>	<b>\$ 1,306,869</b>

Status of Unexpended Balances as of September 30, 2008 (dollars in thousands)			
Type	Unrestricted	Restricted	Total
Unobligated:			
Available	\$ 91,819	\$ 10,226	\$ 102,045
Unavailable	-	55,489	55,489
Obligated not yet Disbursed	730,135	419,200	1,149,335
<b>Total</b>	<b>\$ 821,954</b>	<b>\$ 484,915</b>	<b>\$ 1,306,869</b>

**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)		
	2009	2008
Investments, Carrying Value	\$ 515,733	\$ 479,634
Investment and Interest Receivable	4,105	4,246
<b>Total</b>	<b>\$ 519,838</b>	<b>\$ 483,880</b>

Amortized Cost and Fair Value of Investment Securities as of September 30, 2009 (dollars in thousands)			
Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 358,614	\$ 3,571	362,185
Bills	157,119	80	157,199
Bonds	-	-	-
<b>Total</b>	<b>\$ 515,733</b>	<b>\$ 3,651</b>	<b>\$ 519,384</b>

Amortized Cost and Fair Value of Investment Securities as of September 30, 2008 (dollars in thousands)			
Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 399,353	\$ 6,609	\$ 405,962
Bills	80,281	108	80,389
<b>Total</b>	<b>\$ 479,634</b>	<b>\$ 6,717</b>	<b>\$ 486,351</b>

At September 30, 2009, the notes held at year-end had an interest rate range of 1.375% to 6.50% and an outstanding maturity period of approximately one day to four years. The bills held at year-end had an interest rate range of 0.035% to 1.295% and were all due to mature within 162 days. The par values of these bills range from \$.40 million to \$30.70 million.

As required by the Strengthen AmeriCorps Program Act, beginning in fiscal 2003, the Corporation 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. As of September 30, 2009, \$50.197 million of the Corporation'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:

<b>Maturation of Securities Held as of September 30</b> <i>(dollars in thousands)</i>				
<b>Held-to-Maturity Securities</b>	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Due in 1 year or less	\$ 426,683	\$ 429,627	\$ 357,731	\$ 359,913
Due after 1 year up to 5 years	89,050	89,757	121,903	126,438
<b>Total</b>	<b><u>\$ 515,733</u></b>	<b><u>\$ 519,384</u></b>	<b><u>\$ 479,634</u></b>	<b><u>\$ 486,351</u></b>

**NOTE 4 – ACCOUNTS RECEIVABLE, NET**

<b>Accounts Receivable as of September 30</b> <i>(dollars in thousands)</i>			
	Appropriated		Total
	Funds	Trust Fund	
<b>2009</b>			
Accounts receivable	\$ 2,875	\$ 350	\$ 3,225
Less: allowance for loss on receivables	(462)	-	(462)
<b>Accounts Receivable, Net</b>	<b><u>\$ 2,413</u></b>	<b><u>\$ 350</u></b>	<b><u>\$ 2,763</u></b>
<b>2008</b>			
Accounts receivable	\$ 2,894	\$ 31	\$ 2,925
Less: allowance for loss on receivables	(309)	-	(309)
<b>Accounts Receivable, Net</b>	<b><u>\$ 2,585</u></b>	<b><u>\$ 31</u></b>	<b><u>\$ 2,616</u></b>

**NOTE 5 – PROPERTY AND EQUIPMENT, NET**

<b>General Property and Equipment as of September 30, 2009</b> <i>(dollars in thousands)</i>				
<b>Major Class</b>	<b>Service Life (Years)</b>	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
Equipment	3 - 10	\$ 2,996	\$ (1,662)	\$ 1,334
ADP software	2	8,263	(7,888)	375
<b>Total</b>		<b><u>\$ 11,259</u></b>	<b><u>\$ (9,550)</u></b>	<b><u>\$ 1,709</u></b>

**NOTE 5 – PROPERTY AND EQUIPMENT, NET – CONTINUED**

General Property and Equipment as of September 30, 2008					
<i>(dollars in thousands)</i>					
Major Class	Service Life (Years)	Cost	Accumulated Depreciation	Net Book Value	
Equipment	3 - 10	\$ 3,084	\$ (1,541)	\$ 1,543	
Capital leases	3 - 5	416	(291)	125	
ADP software	2	8,774	(7,399)	1,375	
<b>Total</b>		<u>\$ 12,274</u>	<u>\$ (9,231)</u>	<u>\$ 3,043</u>	

**NOTE 6 – TRUST SERVICE AWARD LIABILITY**

Individuals who successfully complete terms of service in AmeriCorps programs earn education awards, which can be used to make payments on qualified student loans or for educational expenses at qualified educational institutions. The awards, which are available for 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 President's 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 Liability was composed of the following as of September 30:

Service Award Liability as of September 30			
<i>(dollars in thousands)</i>			
	2009	2008	
Education awards	\$ 1,501,414	\$ 1,335,254	
Interest forbearance	48,209	42,707	
President's Freedom Scholarship Program	<u>22,527</u>	<u>22,527</u>	
Total estimated service award liability	1,572,150	1,400,488	
Less: cumulative awards paid	1,248,083	1,097,121	
<b>Total</b>	<u>\$ 324,067</u>	<u>\$ 303,367</u>	

The net Service Award Liability as of September 30, 2009, increased by approximately \$20.7 million from the net Service Award Liability as of September 30, 2008. This change was largely due to new member enrollments and an increase in the number of members still serving during the year. Past Corporation 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 the Corporation. The program was discontinued in fiscal 2007; however, because students have up to seven years to use the scholarship, some payments will continue to be made over the next several years.

**NOTE 7 – OPERATING LEASES**

The Corporation leases office space through the General Services Administration (GSA). GSA charges the Corporation a Standard Level Users Charge that approximates commercial rental rates for similar properties. The NCCC also leases housing facilities for its campuses. Additionally, the Corporation leases motor vehicles on an annual basis through GSA under an Interagency Fleet Management Service agreement for the NCCC. Commitments of the Corporation for future rental payments under operating leases at September 30 are as follows:

Estimated Operating Lease Commitments as of September 30								
<i>(dollars in thousands)</i>								
Fiscal Year	2009				2008			
	Facilities Space	Vehicles	Other	Total	Facilities Space	Vehicles	Other	Total
2009	\$ -	\$ -	\$ -	\$ -	\$ 8,351	\$ 543	\$ 139	\$ 9,033
2010	9,215	504	110	9,829	8,602	562	122	9,286
2011	9,491	521	107	10,119	8,860	581	126	9,567
2012	9,776	539	99	10,414	9,125	602	122	9,849
2013	10,069	557	91	10,717	9,399	623	114	10,136
2014	10,371	576	90	11,037	-	-	-	-
<b>Total</b>	<b>\$ 48,922</b>	<b>\$ 2,697</b>	<b>\$ 497</b>	<b>\$ 52,116</b>	<b>\$ 44,337</b>	<b>\$ 2,911</b>	<b>\$ 623</b>	<b>\$ 47,871</b>

**NOTE 8 – ACTUARIAL FECA LIABILITY**

The Corporation’s actuarial liability for future workers’ compensation benefits under FECA was \$11.365 and \$11.638 million as of September 30, 2009 and 2008, respectively. The amount includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The actuarial liability is determined using a method that utilizes historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. Consistent with past practice, these projected annual benefit payments have been discounted to present value using the Office of Management and Budget’s economic assumptions for 10-year Treasury notes and bonds.

**NOTE 9 – NET POSITION**

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

<b>Net Position by Fund Balance Components</b>				
<b>As of September 30, 2009</b>				
<i>(dollars in thousands)</i>				
	<b>Gift Fund</b>	<b>Trust Fund</b>	<b>Appropriated Funds</b>	<b>Total</b>
Total unexpended appropriations	\$ -	\$ -	\$ 890,956	890,956
Cumulative results of operations	909	196,573	(8,530)	188,952
<b>Total Net Position</b>	<b><u>\$ 909</u></b>	<b><u>\$ 196,573</u></b>	<b><u>\$ 882,426</u></b>	<b><u>\$ 1,079,908</u></b>

<b>Net Position by Fund Balance Components</b>				
<b>As of September 30, 2008</b>				
<i>(dollars in thousands)</i>				
	<b>Gift Fund</b>	<b>Trust Fund</b>	<b>Appropriated Funds</b>	<b>Total</b>
Total unexpended appropriations	\$ -	\$ -	\$ 769,016	\$ 769,016
Cumulative results of operations	801	180,771	(8,268)	173,304
<b>Total Net Position</b>	<b><u>\$ 801</u></b>	<b><u>\$ 180,771</u></b>	<b><u>\$ 760,748</u></b>	<b><u>\$ 942,320</u></b>

**NOTE 10 – APPROPRIATIONS RECEIVED BY THE NATIONAL SERVICE TRUST**

For fiscal year 2009, the National Service Trust received \$131.075 million under the Omnibus Appropriations Act, 2009 (Public Law 111-8) and an additional \$40.000 million under the American Recovery and Reinvestment Act of 2009 (Public Law 111-5). For fiscal year 2008 the National Service Trust received \$122.539 million under the Consolidated Appropriations Act, 2008 (Public Law 110-161). The Acts also authorized the Corporation to transfer additional amounts from subtitle C program funds to the National Service Trust if necessary to support the activities of national service participants. The Corporation transferred \$3.857 million and \$16.246 million to the Trust under this provision in fiscal year 2009 and 2008, respectively.

**NOTE 11 – EXPENSES**

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

**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 National Senior Service Corps (NSSC)** includes the *Foster Grandparent Program (FGP)*; *Senior Companion Program (SCP)*; and the *Retired and Senior Volunteer Program (RSVP)*. The NSSC responsibility segment includes grant expenses, as well as direct and allocated personnel and administrative costs for RSVP, FGP, and SCP.

**Learn and Serve America** includes grant expenses, as well as direct and allocated personnel and administrative costs, for the Learn and Serve America Program, the President's Student Service Challenge, and National Service Leader Schools. The President's Freedom Scholarships are included in the National Service Award expense component.

**Other Program Costs**

*National Service Award Expense* – the National Service Award expense component consists of the Corporation's estimated expense for education awards based on the increase in its service award liability during the year, interest forbearance costs on qualified student loans during the period members perform community service, as well as disbursements for the President's Freedom Scholarship Program (see Note 12). No indirect costs have been allocated to the National Service Award expense component.

*Pass-through Grants* – the Corporation has reimbursable agreements with state agencies whereby the Corporation awards and administers grants to a list of grantees selected and

**NOTE 11 – EXPENSES – CONTINUED**

funded by the State. In addition, prior to fiscal 2007, the Corporation’s annual appropriation included Congressionally-earmarked grants. No indirect costs have been allocated to these pass-through grants.

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

<b>Components of Grant Funds Expended for the years ended September 30</b>		
<i>(dollars in thousands)</i>		
	2009	2008
Domestic Volunteer Service Act Programs	\$ 248,945	\$ 248,385
National and Community Service Act Programs	333,676	316,158
Pass-through Grants	682	163
<b>Total Grant Funds Expended</b>	<b><u>\$ 583,303</u></b>	<b><u>\$ 564,706</u></b>

<b>Expenses by Major Responsibility Segment for the years ended September 30</b>		
<i>(dollars in thousands)</i>		
	2009	2008
<b>AmeriCorps:</b>		
State/National	\$ 484,486	\$ 459,584
NCCC	44,830	39,334
VISTA	<u>132,166</u>	<u>131,506</u>
Subtotal	\$ 661,482	\$ 630,424
<b>National Senior Service Corps:</b>		
Retired and Senior Volunteer Program	66,783	66,284
Foster Grandparent Program	120,381	119,396
Senior Companion Program	<u>\$ 51,641</u>	<u>\$ 51,114</u>
Subtotal	238,805	236,794
Learn and Serve America	47,812	42,436
Pass-through Grants	682	163
Office of Inspector General (OIG)	6,045	6,284
<b>Total Expenses</b>	<b><u>\$ 954,826</u></b>	<b><u>\$ 916,101</u></b>

**Expenses by Type and Subprogram for the year ended September 30, 2009**

*(dollars in thousands)*

Type	AmeriCorps			National Senior Service Corps			Learn & Serve	Pass-through		Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP		Grants	OIG	
<b>Grant and Related Expense</b>										
Grant funds expended	\$ 290,948	\$ -	\$ 29,413	\$ 61,081	\$ 111,055	\$ 47,396	\$ 42,728	\$ 682	\$ -	\$ 583,303
VISTA & NCCC stipends & benefits	-	11,759	53,656	-	-	-	-	-	-	65,415
Service award expense	152,312	2,885	16,465	-	-	-	-	-	-	171,662
<b>Total Grant and Related Expense</b>	<b>443,260</b>	<b>14,644</b>	<b>99,534</b>	<b>61,081</b>	<b>111,055</b>	<b>47,396</b>	<b>42,728</b>	<b>682</b>	<b>-</b>	<b>820,380</b>
<b>Administrative Expense</b>										
Federal employee salaries & benefits	26,786	11,894	20,665	2,860	5,192	2,217	3,372	-	3,678	76,664
Travel & transportation	878	2,530	3,792	699	1,278	551	213	-	94	10,035
Rent, communications, & utilities	3,935	4,235	934	448	813	347	299	-	369	11,380
Program analysis & evaluation	744	677	677	218	392	168	507	-	-	3,383
Printing & reproduction	59	91	74	27	28	9	8	-	-	296
Other services and expenses	7,602	9,676	6,181	1,189	1,240	755	571	-	1,861	29,075
Supplies & materials	459	1,064	172	161	201	120	44	-	43	2,264
Depreciation, amortization & loss on disposition of assets	753	19	135	99	180	77	69	-	-	1,332
Bad debt	10	-	2	1	2	1	1	-	-	17
<b>Total Administrative Expense</b>	<b>41,226</b>	<b>30,186</b>	<b>32,632</b>	<b>5,702</b>	<b>9,326</b>	<b>4,245</b>	<b>5,084</b>	<b>-</b>	<b>6,045</b>	<b>134,446</b>
<b>Total Expenses by Type</b>	<b>\$ 484,486</b>	<b>\$ 44,830</b>	<b>\$ 132,166</b>	<b>\$ 66,783</b>	<b>\$ 120,381</b>	<b>\$ 51,641</b>	<b>\$ 47,812</b>	<b>\$ 682</b>	<b>\$ 6,045</b>	<b>\$ 954,826</b>

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**Expenses by Type and Subprogram for the year ended September 30, 2008**

*(dollars in thousands)*

Type	AmeriCorps			National Senior Service Corps			Learn & Serve	Pass-through		Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP		Grants	OIG	
<b>Grant and Related Expense</b>										
Grant funds expended	\$ 278,649	\$ -	\$ 29,062	\$ 60,763	\$ 111,231	\$ 47,329	\$ 37,509	\$ 163	\$ -	\$ 564,706
VISTA & NCCC stipends & benefits	57	5,645	53,097	-	-	-	-	-	-	58,799
Service award expense	141,623	3,851	15,316	-	-	-	-	-	-	160,790
<b>Total Grant and Related Expense</b>	<b>420,329</b>	<b>9,496</b>	<b>97,475</b>	<b>60,763</b>	<b>111,231</b>	<b>47,329</b>	<b>37,509</b>	<b>163</b>	<b>-</b>	<b>784,295</b>
<b>Administrative Expense</b>										
Federal employee salaries & benefits	26,339	13,637	21,994	3,104	5,677	2,415	3,423	-	3,632	80,221
Travel & transportation	967	3,734	4,692	113	201	86	109	-	137	10,039
Rent, communications, & utilities	3,716	2,459	888	453	829	353	263	-	360	9,321
Program analysis & evaluation	1,049	954	954	307	553	237	715	-	-	4,769
Printing & reproduction	57	83	77	43	31	13	5	-	-	309
Other services and expenses	5,589	7,121	4,892	1,311	523	532	292	-	2,069	22,329
Supplies & materials	618	1,838	362	63	117	50	41	-	86	3,175
Depreciation, amortization & loss on disposition of assets	970	13	181	134	246	104	83	-	-	1,731
Bad debt	(50)	(1)	(9)	(7)	(12)	(5)	(4)	-	-	(88)
<b>Total Administrative Expense</b>	<b>39,255</b>	<b>29,838</b>	<b>34,031</b>	<b>5,521</b>	<b>8,165</b>	<b>3,785</b>	<b>4,927</b>	<b>-</b>	<b>6,284</b>	<b>131,806</b>
<b>Total Expenses by Type</b>	<b>\$ 459,584</b>	<b>\$ 39,334</b>	<b>\$ 131,506</b>	<b>\$ 66,284</b>	<b>\$ 119,396</b>	<b>\$ 51,114</b>	<b>\$ 42,436</b>	<b>\$ 163</b>	<b>\$ 6,284</b>	<b>\$ 916,101</b>

**NOTE 12 – NATIONAL SERVICE AWARD EXPENSE**

Members serving in approved national service positions are eligible to earn a service award to pay for qualified education expenses. The National Service Trust also pays interest forbearance costs on qualified student loans during the period that members are serving in an approved national service position. The Corporation 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, 2009 and 2008, respectively, has been adjusted to reflect the fact that earned awards are not always used.

National Service Award Expense for the years ended September 30		
<i>(dollars in thousands)</i>		
	2009	2008
Estimated education awards	\$ 166,160	\$ 155,347
Estimated interest forbearance	5,502	5,443
President's Freedom Scholarship Program	-	-
<b>National Service Award Expense</b>	<b><u>\$ 171,662</u></b>	<b><u>\$ 160,790</u></b>

**NOTE 13 – CHANGE IN UNEXPENDED APPROPRIATIONS, NET**

Unexpended Appropriations, Net as of September 30		
<i>(dollars in thousands)</i>		
	2009	2008
Unexpended Appropriations, Beginning Balance	\$ 769,016	\$ 828,597
<b>Increases:</b>		
Appropriations Received, Net of Trust	1,090,866	871,558
<b>Decreases:</b>		
Appropriated Capital Used	(770,708)	(748,580)
Appropriations Transferred to Trust Fund (net of rescissions)	(171,075)	(122,539)
Program Funds Transferred to Trust	(3,857)	(16,246)
Rescissions and Cancellations	<u>(23,286)</u>	<u>(43,774)</u>
Total Decreases	(968,926)	(931,139)
<b>Change in Unexpended Appropriations</b>	<b>121,940</b>	<b>(59,581)</b>
<b>Unexpended Appropriations, Ending Balance</b>	<b><u>\$ 890,956</u></b>	<b><u>\$ 769,016</u></b>

**NOTE 14 – CONTINGENCIES**

The Corporation 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 the Corporation. In the opinion of the Corporation’s management and legal counsel, there are no proceedings, actions, or claims outstanding or threatened that would materially impact the financial statements of the Corporation.

Certain legal matters to which the Corporation 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 the Corporation’s financial statements.

**NOTE 15 - UNDELIVERED ORDERS AT FISCAL YEAR-END**

The Corporation’s undelivered orders at September 30, 2009 and 2008 were \$894,283 and \$804,283 thousand, respectively.

**NOTE 16 – APPORTIONMENT CATEGORIES OF INCURRED OBLIGATIONS**

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions Corporation funds on a quarterly basis. Obligations incurred during FY 2009 and 2008 were:

<b>Consolidated Obligations Incurred</b>			
<i>(dollars in thousands)</i>			
<b>Fiscal Year</b>	<b>Direct</b>	<b>Reimbursable</b>	<b>Total</b>
2009	\$ 1,232,085	\$ 12,526	\$ 1,244,611
2008	\$ 1,057,252	\$ 7,633	\$ 1,064,885



## Independent Auditor's Report on Compliance and Other Matters

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

We have audited the financial statements of the Corporation for National and Community Service (Corporation) as of and for the year ended September 30, 2009, and have issued our report thereon dated November 10, 2009. We conducted our audit 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 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of the Corporation is responsible for complying with laws and regulations applicable to the Corporation. As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatements, we performed tests of the Corporation's compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin 07-04, as amended. We limited our tests of compliance to those provisions and we did not test compliance with all laws and regulations applicable to the Corporation. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with laws and regulations described in the preceding paragraph disclosed no instances of reportable noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin 07-04, as amended.

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This report is intended solely for the information and use of the management of the Corporation, the Office of Inspector General, GAO, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Gunderson LLP*

Calverton, Maryland  
November 10, 2009

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## Independent Auditor's Report on Internal Control

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

We have audited the financial statements of the Corporation for National and Community Service (Corporation) as of and for the year ended September 30, 2009, and have issued our report thereon dated November 10, 2009. We conducted our audit in accordance with the 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. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered the Corporation's internal control over financial reporting by obtaining an understanding of relevant internal controls, determined whether these internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and to comply with OMB Bulletin No. 07-04, as amended, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act* (FMFIA) (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or reliably report financial data in accordance with generally accepted accounting principles such that, there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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This report is intended solely for the information and use of the management of the Corporation, the Office of Inspector General, OMB, the Government Accountability Office and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

*Clifton Henderson LLP*

Calverton, Maryland  
November 10, 2009

**APPENDIX**

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**CORPORATION'S RESPONSE TO DRAFT REPORT**



## MEMORANDUM

**Date:** November 12, 2009

**To:** Ken Bach, Acting Inspector General

*William Anderson*

**From:** William Anderson, Acting Chief Financial Officer

**Subject:** Draft Report on the Audit of the Corporation's Fiscal Year 2009 Financial Statements

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Thank you for the opportunity to comment on the draft report on the audit of the Corporation's fiscal 2009 financial statements. The financial statements, which include supplemental schedules on the National Service Trust, received an unqualified opinion. Similarly, the report on internal control and report on compliance with laws and regulations noted no significant deficiencies or reportable conditions. Importantly, the audit confirmed that the Corporation resolved the significant deficiency reported in the 2008 audit related to the continuity of operations, application development, and change control management.

Executing sound financial stewardship of the Corporation's resources is an essential element for achieving our mission of improving lives, strengthening communities, and fostering civic engagement through service and volunteering. While we are proud of these audit results, we recognize that the work before us is challenging and we need to continue to improve our operations if we are to achieve the expansion envisioned by the Edward M. Kennedy Serve America Act. To that end, we will continue our work with the Corporation's Office of Inspector General and its financial auditors to identify areas where efficiencies can be made and internal controls improved.

The Corporation would also like to express its appreciation for the hard work your staff and the staff of Clifton Gunderson made on the 2009 audit. Without this collaborative effort we would not have been able to achieve the tight deadline for completing the audit.