

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

**AUDIT OF THE
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE'S
FISCAL YEAR 2015
NATIONAL SERVICE TRUST FUND
FINANCIAL STATEMENTS**

OIG REPORT 16-02

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 13, 2015.



November 13, 2015

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 2015 National Service Trust Fund Financial Statements,
OIG Report 16-02

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, 2015 and 2014, 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 13, 2015, and the conclusions expressed therein. However, our review disclosed no instances where Kearney did not comply, in all material respects, with United States generally accepted government auditing standards.

Attachment

cc: Asim Mishra, Chief of Staff
Jeremy Joseph, General Counsel
Jeffrey Page, Chief Operating Officer and Acting Chief Financial Officer
Tom Hanley, Chief Information Officer
Kathryn Gillis, 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, 2015 and 2014, 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, as well as 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audits 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 Corporation's National Service Trust Fund as of September 30, 2015 and 2014, as well as its net cost of operations and changes in net position, cash flows, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the 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 this matter.

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 2015, *Other Information*, section of the Fiscal Year 2015 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; accordingly, we do not express an opinion or provide any assurance on it.

Reports on Internal Control, Compliance, and Other Matters

In accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued reports, dated November 13, 2015, on our consideration of the Corporation's internal control over financial reporting and on our tests of the Corporation's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2015. The purpose of those reports is to describe the scope of our



testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 and should be considered in assessing the results of our audits.

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

Alexandria, Virginia
November 13, 2015

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

**FISCAL YEAR 2015 AND 2014
FINANCIAL STATEMENTS**

(Extracted From Fiscal Year 2015 Agency Financial Report)

National Service Trust Fund Accounting

The Statements of Financial Position; Operations and Changes in Net Position; Cash Flows, and Budgetary Resources and accompanying notes have been prepared from the books and records of CNCS in accordance with generally accepted accounting principles as required by the Government Corporation Control Act (Act) and Executive Order 13331, National and Community Service Programs.

As specified in the GCCA, principal financial statements are the:

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

- Statement of Cash Flows which show how changes in the financial position affect cash according to operating, investing, and financing activity
- Statement of Budgetary Resources which reports status of budgetary resources.

The Federal Accounting Standards Advisory Board (FASAB) is the standard setting body for the federal government. The Statement of Federal Financial Accounting Standards Number 34 (SFFAS 34) provides financial statements prepared by certain government corporations in conformity with the accounting standards issued by the Financial Accounting Standards Board (FASB) and 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.

Corporation for National and Community Service National Service Trust Statements of Financial Position As of September 30, 2015 and 2014 *(dollars in thousands)*

	2015	2014
Assets		
Fund Balance with Treasury (Note 2)	\$ 8,420	\$ 6,606
Investments and related receivables (Note 3)	751,464	717,973
Accounts receivable, net (Note 4)	261	229
Total Assets	\$ 760,145	\$ 724,808
Liabilities		
Service award liability (Note 5)	454,890	454,131
Net Position		
Cumulative results of operations (Note 6)	305,255	270,677
Total Liabilities and Net Position	\$ 760,145	\$ 724,808

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, 2015 and 2014 *(dollars in thousands)*

	2015	2014
Revenue		
Appropriations received by the National Service Trust (Note 7)	\$ 209,618	\$ 207,387
Transfer in program funds	7,889	5,109
Interest	2,747	2,442
Other revenue	5,894	3,418
Total Revenues	\$ 226,148	\$ 218,356
Expenses		
Service award expense (Note 8)	191,575	177,407
Write off/Recovery of receivables	(33)	5
Other expenses	28	3
Total Expenses	\$ 191,570	\$ 177,415
Net of Revenue Over Expenses	\$ 34,578	\$ 40,941
Net Position		
Net of Revenue Over Expenses	34,578	40,941
Net Position, Beginning Balance	270,677	229,736
Net Position, Ending Balance (Note 6)	\$ 305,255	\$ 270,677

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, 2015 and 2014 *(dollars in thousands)*

CASH FLOWS FROM OPERATING ACTIVITIES	2015	2014
Net of Revenue over Expenses	\$ 34,578	\$ 40,491
Adjustments Affecting Cash Flow:		
Amortization of Premium/(Discount) on Investments	(1,606)	(613)
Appropriations Received in Trust	(217,507)	(212,496)
Decrease/(Increase) in Accounts Receivable	(32)	5
Decrease/(Increase) in Interest Receivable	182	253
Increase/(Decrease) in Trust Liability	759	(10,143)
Total Adjustments	(218,204)	(222,994)
Net Cash Provided/(Used) by Operating Activities	(183,626)	(182,053)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Securities	981,391	867,395
Purchase of Securities	(1,013,458)	(891,843)
Net Cash Provided/(Used) in Investing Activities	(32,067)	(24,448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received, Net of Trust	217,507	212,496
Net Cash Provided by Financing Activities	217,507	212,496
Net Increase/(Decrease) in Fund Balance with Treasury	1,814	5,995
Fund Balance with Treasury, Beginning	6,606	611
Fund Balance with Treasury, Ending (Note 2)	\$ 8,420	\$ 6,606

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, 2015 and 2014 *(dollars in thousands)*

BUDGETARY RESOURCES	2015	2014
Unobligated balance brought forward, October 1	\$ 99,021	\$ 96,820
Appropriations Discretionary (special or trust funds)	217,507	212,495
Appropriations Mandatory (special or trust funds)	3,933	5,050
Appropriations (discretionary and mandatory)	<u>221,440</u>	<u>217,545</u>
Spending authority from offsetting collections	<u>5,894</u>	<u>3,418</u>
Total budgetary resources	<u>\$ 326,355</u>	<u>\$ 317,783</u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred	<u>202,823</u>	<u>218,762</u>
Unobligated balance, end of year		
Apportioned (Note 2)	73,335	48,351
Unapportioned (Note 2)	50,197	50,670
Total unobligated balance, end of year	<u>123,532</u>	<u>99,021</u>
Total budgetary resources	<u>\$ 326,355</u>	<u>\$ 317,783</u>

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

Corporation for National and Community Service
National Service Trust Statements of Budgetary Resources – Continued
for the Periods Ended September 30, 2015 and 2014 *(dollars in thousands)*

CHANGE IN OBLIGATED BALANCE	2015	2014
Unpaid obligations		
Unpaid obligations, brought forward, October 1	\$ 623,340	\$ 592,131
Obligations incurred	202,823	218,762
Outlays (gross)	<u>(190,843)</u>	<u>(187,553)</u>
Unpaid Obligations, end of year	\$ 635,320	\$ 623,340
Memorandum (non-add) entries:		
Obligated balance, start of year	\$ 623,340	\$ 592,131
Obligated balance, end of year (Note 2)	<u>\$ 635,320</u>	<u>\$ 623,340</u>
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 227,334	\$ 220,964
Actual offsetting collections	<u>(5,894)</u>	<u>(3,418)</u>
Budget authority, net (discretionary and mandatory)	\$ 221,440	\$ 217,546
Outlays, gross (discretionary and mandatory)	190,843	187,553
Actual offsetting collections	<u>(5,894)</u>	<u>(3,418)</u>
Outlays, net (discretionary and mandatory)	\$ 184,949	\$ 184,135
Distributed offsetting receipts	<u>(217,507)</u>	<u>(212,496)</u>
Agency Outlays, net (discretionary and mandatory)	\$ (32,558)	\$ (28,361)

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

NOTE 1—Summary of Significant Accounting Policies

A. REPORTING ENTITY

The Trust was established by the National and Community Service Trust Act of 1993 (The Act), 42 U.S.C. 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, and 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 CNCS 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 CNCS 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, as well as for the AmeriCorps Education Award Program, a program where sponsoring organizations are responsible for providing member subsistence and other costs, and CNCS provides an education award and a small amount for administrative costs. Education Award Programs have up to two years after 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 CNCS 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 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 financial statements prepared by certain government corporations in conformity with the accounting standards issued by the Financial Accounting Standards Board (FASB) and are regarded as being in conformity with GAAP. As provided by SFFAS 34, where there is no standard issued by FASB applicable to the federal corporation, the financial statements are presented in accordance with the accounting standards issued by FASAB.

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

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

In FY 2015, presentation changes have been made to facilitate a greater understanding of the statements and notes. Certain prior year amounts have been reclassified to conform to the current year presentation. No changes made were material at the financial statement line item or at the note line level.

D. BUDGETS AND BUDGETARY ACCOUNTING

The activities of the Trust are primarily funded through the annual Departments of Labor, Health and Human Services, and 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, 2015, 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. It is CNCS's cash accounts with the Department of the Treasury (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 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 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 unpaid earned, and expected to be earned, education awards and eligible student loan interest forbearance costs expected to be used. These amounts relate to participants who have completed service or are currently enrolled in the program and are expected to earn an award, based on CNCS' historical experience.

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. 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 of program funds are recognized as revenue when funds are transferred from subtitle C pursuant to 42 U.S.C. 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 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 Trust financial statements provide comparative information for FY 2015 and 2014.

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 Trust once funds are exhausted for their intended purpose. CNCS 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 Treasury. The Fund Balance with Treasury line on the Statement of Financial Position consists of trust funds of \$8.4 million in FY 2015 and \$6.6 million in FY 2014 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 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 Trust also pays awards under the President's Freedom Scholarship, Summer of Service, and Silver Scholar programs.

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

Type	2015	2014
Obligated Not Yet Disbursed	\$ 635,320	\$ 623,340
Unobligated Available	73,335	48,351
Unobligated Unavailable	50,197	50,670
Investments*	(750,432)	(715,755)
Total	\$ 8,420	\$ 6,606

* *Investments include purchases, sales, premiums, and discounts*

In FY 2015, CNCS restructured Note 2 FBWT to align the Unobligated Available and Unobligated Unavailable balances to the Statement of Budgetary Resources (SBR), line items Apportioned and Unapportioned, respectively.

NOTE 3—National Service Trust Investments and Related Receivables**Investments and Related Receivables as of September 30** *(dollars in thousands)*

	2015	2014
Investments, Carrying Value	\$ 750,977	\$ 717,304
Interest Receivable	487	669
Total	<u>\$ 751,464</u>	<u>\$ 717,973</u>

Amortized Cost and Fair Value of Investment Securities as of September 30, 2015 *(dollars in thousands)*

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 328,823	\$ 652	\$ 329,475
Bills	422,154	142	422,296
Total	<u>\$ 750,977</u>	<u>\$ 794</u>	<u>\$ 751,771</u>

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	<u>\$ 717,304</u>	<u>\$ 633</u>	<u>\$ 717,937</u>

(Continued)

(Continued)

As of September 30, 2015, the notes held at year-end had an interest rate range of 0.250 percent to 0.625 percent and an outstanding maturity period of approximately 197 days to two years. The bills held at year-end had an interest rate range of 0.000 percent to 0.415 percent and were all due to mature within 364 days. The par values of notes range from \$9.6 million to \$148.3 million. The fair value of the bills and notes is based on bid and ask prices quoted by Treasury as of September 30, 2015, and 2014.

Since fiscal 2003, CNCS has set aside in reserve a portion of the funds in the 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, 2015, \$50.2 million of CNCS's investment account has been set aside for this reserve.

NOTE 3—Trust Investments and Related Receivables

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

Held-to-Maturity Securities	2015		2014	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	\$ 523,225	\$ 523,435	\$ 537,761	\$ 538,417
Due after 1 year up to 5 years	227,752	228,336	179,543	179,520
Total	\$ 750,977	\$ 751,771	\$ 717,304	\$ 717,937

NOTE 4 – Accounts Receivable, Net

Accounts Receivable, as of September 30 (dollars in thousands)

	Trust Fund	Total
2015		
Accounts receivable	\$ 355	\$ 355
Less: allowance for doubtful accounts	(94)	(94)
Accounts Receivable, Net	\$ 261	\$ 261
2014		
Accounts receivable	\$ 274	\$ 274
Less: allowance for doubtful accounts	(45)	(45)
Accounts Receivable, Net	\$ 229	\$ 229

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 Trust.

The 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)*

	2015	2014
Education awards	\$ 2,647,027	\$ 2,469,053
Interest forbearance	103,258	89,677
President's Freedom Scholarship Program	<u>22,527</u>	<u>22,527</u>
Total estimated service award liability	2,772,812	2,581,257
Less: cumulative awards paid	<u>(2,317,922)</u>	<u>(2,127,126)</u>
Total	<u>\$ 454,890</u>	<u>\$ 454,131</u>

Since CNCS's inception in 1994, AmeriCorps members have earned over \$3.1 billion in education awards. CNCS has made \$2.2 billion in payments to educational institutions and student loan holders on these awards. In addition, CNCS has made \$93.6 million in interest forbearance payments since the program's inception. Approximately \$331.9 million in education awards earned had expired without being used as of September 30, 2015. 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, 2015, increased by approximately \$0.76 million from the net Service Award Liability as of September 30, 2014. As of October 1, 2009, the Trust is also available to pay Summer of Service and Silver Scholar education awards. However, the Silver Scholar program was not funded and no current liability was accrued for those education 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 was \$305.3 million in FY 2015 and \$270.7 million in FY 2014, 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 position of the Trust in the amounts of \$305.3 million in FY 2015 and \$270.7 million in FY 2014 is temporarily restricted.

NOTE 7—Appropriations Received by the National Service Trust

For FY 2015, the Trust received \$209.6 million under the Consolidated and Further Continuing Appropriations Act, 2015 (Public Law 113-235). For fiscal year 2014, the Trust received \$207.4 million under the Consolidated Appropriations Act, 2014 (Public Law 113-76). The acts also authorized CNCS to transfer additional amounts from subtitle C program funds to the Trust

to support the activities of national service participants. CNCS transferred \$7.9 million and \$5.1 million to the Trust under this provision in fiscal year 2015 and fiscal year 2014, respectively. Accordingly, the Trust received a total funding of \$217.5 million in FY 2015, and \$212.5 million in FY 2014, respectively.

NOTE 8—Expenses

Using an appropriate cost accounting methodology, CNCS's expenses have been allocated among its major programs, at the sub-program level. 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 service. No indirect costs have been allocated to the National Service Award expense component.

Expenses by AmeriCorps Sub-Program for the Period Ended September 30, 2015 *(dollars in thousands)*

Type	State/National	NCCC	VISTA	Total
Service award expense	\$ 164,878	\$ 4,808	\$ 21,889	\$ 191,575
Total Expenses	\$ 164,878	\$ 4,808	\$ 21,889	\$ 191,575

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

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

NOTE 9—Subsequent Events

CNCS has evaluated subsequent events through November 13, 2015, 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 the End of the Period

The Trust undelivered orders at September 30, 2015, and 2014 were \$180.4 million and \$169.2 million, respectively.

APPENDIX

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



Memorandum

Date: November 13, 2015

To: Deborah Jeffrey, Inspector General

From: Jeffrey Page, Acting Chief Financial Officer

Subject: Draft Report on the Fiscal Year 2015 (FY 2015) 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 2015 National Service Trust Fund financial statements. I am pleased to report that the Corporation for National and Community Service (CNCS) maintained an unmodified opinion.

CNCS is committed to upholding the high standards which continue to result in efficient and effective operation of the National Service Trust.