

# Office of Inspector General Corporation for National and Community Service

## AUDIT OF THE CORPORATION FOR NATIONAL AND COMMUNITY SERVICE'S FISCAL YEAR 2007 FINANCIAL STATEMENTS

Audit Report Number 08- 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 14, 2007. 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 14, 2008, and complete its corrective actions by November 14, 2008. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



## OFFICE OF INSPECTOR GENERAL

November 14, 2007

TO: David Eisner  
Chief Executive Officer

FROM: Gerald Walpin (original signed by)  
Inspector General

SUBJECT: Audit of the Corporation for National and Community Service's Fiscal Year 2007  
Financial Statements, Audit Report Number 08-01

We contracted with the independent certified public accounting firm of Clifton Gunderson LLP (Clifton) to audit the financial statements of the Corporation for National and Community Service (Corporation) as of September 30, 2007 and 2006, 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;
- The reportable condition and an issue of noncompliance with laws and regulations from the Fiscal Year 2006 audit were determined to be closed.

Clifton Gunderson is responsible for the attached auditor's report, dated November 8, 2007, 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: Nicola Goren, Chief of Staff  
Frank Trinity, General Counsel  
Elizabeth Seale, Chief Operating Officer  
Jerry Bridges, Chief Financial Officer  
William Anderson, Deputy CFO for Financial Management  
Andrew Kleine, Deputy CFO for Planning and Program Management  
Sherry Blue, Audit Resolution Coordinator  
Bill Oliver, Engagement Partner, Clifton Gunderson LLP (without attachment)



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Senior Corps



## Independent Auditor's Report

To the Inspector General  
Corporation for National and Community Service

We have audited the accompanying Statement of Financial Position of the Corporation for National and Community Service (Corporation) as of September 30, 2007, and the related statements of Operations and Changes in Net Position, Budgetary Resources and Cash Flows for the year 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 audit. The financial statements of the Corporation as of September 30, 2006, were audited by other auditors whose report, dated November 13, 2006, expressed an unqualified opinion on those financial statements.

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 applicable provisions of Office of Management and Budget Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe that our audit provides 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, 2007, and the results of its operations and changes in net position, budgetary resources, and cash flows for the year 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 8, 2007, on our consideration of 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 8, 2007

**Corporation for National and Community Service**  
**Consolidated Statements of Financial Position**  
**As of September 30**

*(dollars in thousands)*

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Fund Balance with Treasury <i>(Note 2)</i>	\$ 886,505	\$ 927,827
Trust Investments and Related Receivables <i>(Note 3)</i>	465,391	448,329
Advances to Others	61,975	60,047
Accounts Receivable, Net <i>(Note 4)</i>	3,247	2,055
Property and Equipment, Net <i>(Note 5)</i>	2,107	3,158
<b>Total Assets</b>	<b><u>\$ 1,419,225</u></b>	<b><u>\$ 1,441,416</u></b>
<b>LIABILITIES</b>		
Trust Service Award Liability <i>(Note 6)</i>	\$ 280,597	\$ 266,943
Grants Payable	99,805	88,639
Accounts Payable	6,141	5,912
Actuarial FECA Liability <i>(Note 8)</i>	11,888	12,537
Other Liabilities	13,331	11,223
Accrued Annual Leave	3,165	3,736
Advances from Others	102	162
Capital Lease Liability <i>(Note 7)</i>	250	327
<b>Total Liabilities</b>	<b><u>415,279</u></b>	<b><u>389,479</u></b>
Contingencies <i>(Note 14)</i>		
<b>NET POSITION</b>		
Unexpended Appropriations	828,597	872,133
Cumulative Results of Operations	175,349	179,804
<b>Total Net Position</b> <i>(Note 9)</i>	<b><u>1,003,946</u></b>	<b><u>1,051,937</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 1,419,225</u></b>	<b><u>\$ 1,441,416</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)*

<b>REVENUE</b>	<b>2007</b>	<b>2006</b>
Appropriated Capital Used	\$ 779,456	\$ 731,807
Appropriations Transferred to the Trust Fund <i>(Note 10)</i>	117,720	154,868
Interest	19,563	15,427
Revenue from Services Provided	7,404	9,064
Other	<u>2,452</u>	<u>185</u>
<b>Total Revenue</b>	<b>926,595</b>	<b>911,351</b>
<b>EXPENSES</b>		
AmeriCorps	622,304	553,851
SeniorCorps	240,828	235,955
Learn and Serve America	<u>59,503</u>	<u>51,799</u>
Subtotal - Program Expenses	922,635	841,605
Pass-through Grants	2,781	9,504
Office of the Inspector General	<u>5,634</u>	<u>7,778</u>
<b>Total Expenses <i>(Note 11)</i></b>	<b>931,050</b>	<b>858,887</b>
<b>Net of Revenue Over Expenses</b>	<b><u>\$ (4,455)</u></b>	<b><u>\$ 52,464</u></b>
<b>NET POSITION</b>		
Net of Revenue over Expenses	\$ (4,455)	\$ 52,464
Increase/(Decrease) in Unexpended Appropriations, Net <i>(Note 13)</i>	<u>(43,536)</u>	<u>7,733</u>
Increase/(Decrease) in Net Position, Net	(47,991)	60,197
Net Position, Beginning Balance	<u>1,051,937</u>	<u>991,740</u>
<b>Net Position, Ending Balance <i>(Note 9)</i></b>	<b><u>\$ 1,003,946</u></b>	<b><u>\$ 1,051,937</u></b>

*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>2007</b>	<b>2006</b>
Net of Revenue over Expenses	\$ (4,455)	\$ 52,464
Adjustments Affecting Cash Flow:		
Appropriated Capital Used	(779,456)	(731,807)
Appropriations Received in Trust	(117,720)	(154,868)
Decrease/(Increase) in Accounts Receivable	(1,192)	1,132
Decrease/(Increase) in Interest Receivable	1,179	(56)
Decrease/(Increase) in Advances	(1,928)	3,542
Increase/(Decrease) in Accounts Payable and Other Liabilities	2,277	59
Increase/(Decrease) in FECA and Annual Leave Liabilities	(1,220)	563
Increase/(Decrease) in Capital Lease Liability	(77)	(75)
Increase/(Decrease) in Trust Liability	13,654	6,882
Increase/(Decrease) in Grants Payable	11,166	(2,809)
Amortization of Premium/Discount on Investments	(48,374)	2,839
Depreciation, Amortization, and Loss on Disposition of Assets	<u>1,051</u>	<u>897</u>
Total Adjustments	<u>(920,640)</u>	<u>(873,701)</u>
<b>Net Cash Provided/(Used) by Operating Activities</b>	<b><u>(925,095)</u></b>	<b><u>(821,237)</u></b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	-	(3,075)
Sales of Securities	5,731,950	363,305
Purchase of Securities	<u>(5,701,817)</u>	<u>(409,670)</u>
<b>Net Cash Provided/(Used) in Investing Activities</b>	<b><u>30,133</u></b>	<b><u>(49,440)</u></b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Appropriations Received, Net of Trust	884,547	919,049
Canceled/Rescinded Appropriations	<u>(30,907)</u>	<u>(24,641)</u>
<b>Net Cash Provided by Financing Activities</b>	<b><u>853,640</u></b>	<b><u>894,408</u></b>
 <b>Net Increase/(Decrease) in Fund Balance with Treasury</b>	<b>(41,322)</b>	<b>23,731</b>
 <b>Fund Balance with Treasury, Beginning</b>	<b><u>927,827</u></b>	<b><u>904,096</u></b>
 <b>Fund Balance with Treasury, Ending</b>	<b><u>\$ 886,505</u></b>	<b><u>\$ 927,827</u></b>

*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>	<b>2007</b>	<b>2006</b>
Unobligated balance, brought forward, October 1	\$ 185,878	\$ 215,828
Recoveries of prior year unpaid obligations	57,330	39,507
Budget authority:		
Appropriation	1,021,546	1,092,466
Spending authority from offsetting collections:		
Collected	7,302	10,581
Change in receivables from Federal sources	-	(1,968)
Change in unfilled customer orders:		
Advance received	-	94
Without advance from Federal sources	-	2,634
Total budget authority	1,028,848	1,103,807
Permanently not available	(30,907)	(24,642)
<b>Total budgetary resources</b>	<b><u>\$ 1,241,149</u></b>	<b><u>\$ 1,334,500</u></b>

**STATUS OF BUDGETARY RESOURCES**

Obligations incurred <i>(Note 16)</i>	1,063,829	1,148,622
Unobligated balance:		
Apportioned	-	5,285
Other available	-	73,607
Unobligated balance not available	177,320	106,986
<b>Total status of budgetary resources</b>	<b><u>\$ 1,241,149</u></b>	<b><u>\$ 1,334,500</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)*

	<b>2007</b>	<b>2006</b>
<b>CHANGE IN OBLIGATED BALANCE</b>		
Obligated balance, net:		
Unpaid obligations, brought forward, October 1	\$ 1,185,078	\$ 1,083,950
Uncollected customer payments from Federal sources, brought forward, October 1	<u>(3,455)</u>	<u>(2,789)</u>
Total unpaid obligated balance, net	1,181,623	1,081,161
Obligations incurred, net	1,063,829	1,148,622
Gross outlays	(1,025,858)	(1,007,987)
Recoveries of prior year unpaid obligations, actual	(57,330)	(39,507)
Change in uncollected customer payments from Federal sources	<u>1,760</u>	<u>(666)</u>
<b>Total unpaid obligated balance, net, end of period</b>	<b><u>1,164,024</u></b>	<b><u>1,181,623</u></b>
Obligated balance, net, end of period:		
Unpaid obligations	1,165,718	1,185,078
Uncollected customer payments from Federal sources	<u>(1,694)</u>	<u>(3,455)</u>
<b>Total unpaid obligated balance, net, end of period</b>	<b><u>1,164,024</u></b>	<b><u>1,181,623</u></b>
 <b>NET OUTLAYS</b>		
Gross outlays	1,025,858	1,007,987
Offsetting collections	(9,062)	(10,675)
Distributed offsetting receipts <i>(Note 17)</i>	<u>(119,014)</u>	<u>(155,064)</u>
<b>Net outlays</b>	<b><u>\$ 897,782</u></b>	<b><u>\$ 842,248</u></b>

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

## **NOTES TO THE 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 is to improve lives, strengthen communities, and foster civic engagement through service and volunteering. To meet its mission, the Corporation provides 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 are:

**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/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.

In addition, the Corporation administers the National Service Trust (the Trust), whose purpose is to provide education awards for volunteers under AmeriCorps' State, National, Tribes and Territories; NCCC; and VISTA programs.

#### **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 ("National Community Service Programs").

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 and 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.

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.

### **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 is managed through the following trust and appropriated funds:

#### **Trust Funds**

- National Service Trust
- Gifts and Contributions

#### **Appropriated Funds**

- Domestic Volunteer Service Programs, Operating Expenses, a one-year fund
- National and Community Service Programs, Operating Expenses, a two-year fund
- Salaries and Expenses, a one-year fund
- Office of Inspector General, a two-year fund
- VISTA Advance Payment Revolving Fund, a no-year fund.

The Vista Advance Payment Revolving Fund was established on February 15, 2007, by Public Law 110-5. It provides budgetary resources against which the Corporation advances funds for VISTA cost-share agreements. OMB did not establish the VISTA Advance Payment Revolving Fund as a revolving fund, but, as noted above, as a permanent, indefinite appropriated fund.

### **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.

Funds maintained in the National Service Trust are 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. The majority of the funds received from individuals and organizations in the form of gifts 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**

Effective July 1, 2007, the Corporation instituted a prospective increase in the capitalization threshold for capitalized property and equipment from \$10 thousand to \$50 thousand. Thus, all property and equipment received and accepted by the Corporation on or after July 1, 2007, is subject to the \$50 thousand capitalization threshold. 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. Normal maintenance and repair costs on capitalized property and equipment are expensed when incurred.

#### **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 the program 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 is 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 after it became available for obligation is cancelled. Unpaid obligations recorded against cancelled appropriated capital are paid from currently available appropriated funds as payments become due. Appropriations received for the 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***

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 \$506 and \$571 thousand to the CSRS, and \$8.1 and \$7.1 million to FERS and TSP in fiscal years 2007 and 2006, respectively.

## **S. Income Taxes**

As a Federal entity, the Corporation is exempt from all income taxes imposed by any governing body, whether it be a 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. Reclassification

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 Corporation’s Trust Fund may be expended for the purpose of providing an education award or student loan interest forbearance payment. Trust Fund payments 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 Program.
- **Gift Funds** – Gift Funds are funds received from individuals and organizations as donations in furtherance of the purposes of the national service laws.

Fund Balance with Treasury as of September 30, 2007			
<i>(dollars in thousands)</i>			
Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 885,823	\$ -	\$ 885,823
Trust Funds	-	148	148
Gift Funds	-	534	534
<b>Total</b>	<b><u>\$ 885,823</u></b>	<b><u>\$ 682</u></b>	<b><u>\$ 886,505</u></b>

Fund Balance with Treasury as of September 30, 2006			
<i>(dollars in thousands)</i>			
Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 913,492	\$ -	\$ 913,492
Trust Funds	-	13,590	13,590
Gift Funds	-	745	745
<b>Total</b>	<b><u>\$ 913,492</u></b>	<b><u>\$ 14,335</u></b>	<b><u>\$ 927,827</u></b>

**NOTE 3 – TRUST INVESTMENTS AND RELATED RECEIVABLES**

The composition of Trust Investments and Related Receivables at September 30 is as follows:

<b>Trust Investments and Related Receivables as of September 30</b> <i>(dollars in thousands)</i>		
	<b>2007</b>	<b>2006</b>
Investments, Carrying Value	\$ 461,842	\$ 443,602
Investment and Interest Receivable	3,549	4,727
<b>Total</b>	<b><u>\$ 465,391</u></b>	<b><u>\$ 448,329</u></b>

<b>Amortized Cost and Fair Value of Investment Securities</b> <b>as of September 30, 2007</b> <i>(dollars in thousands)</i>				
<b>Securities</b>	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized (Losses)</b>	<b>Fair Value</b>
Notes	\$ 427,428	\$ 2,307	\$ -	\$ 429,735
Bills	34,414	1	-	34,415
Bonds	-	-	-	-
<b>Total</b>	<b><u>\$ 461,842</u></b>	<b><u>\$ 2,308</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 464,150</u></b>

<b>Amortized Cost and Fair Value of Investment Securities</b> <b>as of September 30, 2006</b> <i>(dollars in thousands)</i>				
<b>Securities</b>	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized (Losses)</b>	<b>Fair Value</b>
Notes	\$ 406,825	\$ -	\$ (4,520)	\$ 402,305
Bills	36,777	124	-	36,901
Bonds	-	-	-	-
<b>Total</b>	<b><u>\$ 443,602</u></b>	<b><u>\$ 124</u></b>	<b><u>\$ (4,520)</u></b>	<b><u>\$ 439,206</u></b>

At September 30, 2007, the notes held at year-end had an interest rate range of 3.0% to 6.0% and an outstanding maturity period of approximately one day to five years. The bills held at year-end had an interest rate range of 2.99% to 4.79% and were all due to mature within 18 days. The par values of these bills range from \$1.0 million to \$20.0 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 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, 2007, \$46.7 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>Maturations of Securities Held as of September 30</b> <i>(dollars in thousands)</i>				
<b>Held-to-Maturity Securities</b>	<b>2007</b>		<b>2006</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
Due in 1 year or less	\$ 245,945	\$ 246,090	\$ 189,747	\$ 188,294
Due after 1 year up to 5 years	215,897	218,060	253,855	250,912
<b>Total</b>	<b><u>\$ 461,842</u></b>	<b><u>\$ 464,150</u></b>	<b><u>\$ 443,602</u></b>	<b><u>\$ 439,206</u></b>

**NOTE 4 – ACCOUNTS RECEIVABLE, NET**

<b>Accounts Receivable as of September 30</b> <i>(dollars in thousands)</i>		
	<b>2007</b>	<b>2006</b>
Accounts receivable	\$ 3,726	\$ 3,113
Less: allowance for loss on receivables	479	1,058
<b>Accounts Receivable, Net</b>	<b><u>\$ 3,247</u></b>	<b><u>\$ 2,055</u></b>

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

<b>General Property and Equipment as of September 30, 2007</b> <i>(dollars in thousands)</i>				
<b>Major Class</b>	<b>Service Life (Years)</b>	<b>Cost</b>	<b>Less: Accumulated Depreciation</b>	<b>Net Book Value</b>
Equipment	3 - 10	\$ 2,917	\$ 1,326	\$ 1,591
Capital leases	3 - 5	416	208	208
ADP software	2	6,274	5,966	308
<b>Total</b>		<b><u>\$ 9,607</u></b>	<b><u>\$ 7,500</u></b>	<b><u>\$ 2,107</u></b>

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

<b>General Property and Equipment as of September 30, 2006</b>					
<i>(dollars in thousands)</i>					
<b>Major Class</b>	<b>Service Life (Years)</b>	<b>Cost</b>	<b>Less:</b>		<b>Net Book Value</b>
			<b>Accumulated Depreciation</b>		
Equipment	3 - 10	\$ 3,320	\$ 1,381		\$ 1,939
Capital leases	3 - 5	435	140		295
ADP software	2	6,274	5,350		924
<b>Total</b>		<b>\$ 10,029</b>	<b>\$ 6,871</b>		<b>\$ 3,158</b>

**NOTE 6 – SERVICE AWARD LIABILITY – NATIONAL SERVICE TRUST**

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 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:

<b>Service Award Liability as of September 30</b>			
<i>(dollars in thousands)</i>			
	<b>2007</b>	<b>2006</b>	
Education awards	\$ 1,179,887	\$ 1,038,985	
Interest forbearance	37,264	32,478	
President's Freedom Scholarship Program	<u>22,527</u>	<u>20,900</u>	
Total estimated service award liability	1,239,678	1,092,363	
Less: cumulative awards paid	959,081	825,420	
<b>Total</b>	<b>\$ 280,597</b>	<b>\$ 266,943</b>	

The net Service Award Liability as of September 30, 2007, increased by approximately \$14 million from the net service award liability as of September 30, 2006. 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 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 – CAPITAL AND OPERATING LEASES**

**A. Capital Leases**

The Corporation has entered into lease agreements for copy machines. These leases vary from 3 to 4 year terms and are deemed to be capital leases. The costs of the copiers have been recorded as property and equipment (also see Note 5). The following is a schedule by year of the future minimum payments under these leases:

<b>Capital Lease Liability as of September 30</b> <i>(dollars in thousands)</i>		
	<b>2007</b>	<b>2006</b>
Fiscal Year 2007	-	109
Fiscal Year 2008	109	109
Fiscal Year 2009	109	109
Fiscal Year 2010	72	73
Fiscal Year 2011	-	-
Total future minimum lease payments	290	400
Less: amounts representing interest	40	73
<b>Total</b>	<b><u>\$ 250</u></b>	<b><u>\$ 327</u></b>

**B. 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. 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 National Civilian Community Corps. Commitments of the Corporation for future rental payments under operating leases at September 30 are as follows:

<b>Estimated Operating Lease Commitments as of September 30</b> <i>(dollars in thousands)</i>								
	<b>2007</b>				<b>2006</b>			
<b>Fiscal Year</b>	<b>Facilities</b>			<b>Facilities</b>	<b>Facilities</b>			
	<b>Space</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total</b>	<b>Space</b>	<b>Vehicles</b>	<b>Other</b>	<b>Total</b>
2007	-	-	-	-	7,828	964	166	8,958
2008	8,155	581	124	8,860	8,073	998	173	9,244
2009	8,395	598	95	9,088	8,328	1,033	180	9,541
2010	8,642	615	89	9,346	8,592	1,069	188	9,849
2011	8,896	633	92	9,621	8,864	1,107	198	10,169
2012	9,158	652	96	9,906	-	-	-	-
<b>Total</b>	<b><u>\$ 43,246</u></b>	<b><u>\$ 3,079</u></b>	<b><u>\$ 496</u></b>	<b><u>\$ 46,821</u></b>	<b><u>\$ 41,685</u></b>	<b><u>\$ 5,171</u></b>	<b><u>\$ 905</u></b>	<b><u>\$ 47,761</u></b>

**NOTE 8 – ACTUARIAL FECA LIABILITY**

The Corporation’s actuarial liability for future workers’ compensation benefits under FECA was \$11.888 million and \$12.537 million as of September 30, 2007 and 2006, 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, 2007</b>				
	<i>(dollars in thousands)</i>			
	<b>Gift Fund</b>	<b>Trust Fund</b>	<b>Appropriated Fund</b>	<b>Total</b>
Unexpended appropriations	\$ -	\$ -	\$ 828,597	\$ 828,597
Cumulative results of operations	570	184,949	(10,170)	175,349
<b>Total Net Position</b>	<b><u>\$ 570</u></b>	<b><u>\$ 184,949</u></b>	<b><u>\$ 818,427</u></b>	<b><u>\$ 1,003,946</u></b>

<b>Net Position by Fund Balance Components</b>				
<b>As of September 30, 2006</b>				
	<i>(dollars in thousands)</i>			
	<b>Gift Fund</b>	<b>Trust Fund</b>	<b>Appropriated Fund</b>	<b>Total</b>
Total unexpended appropriations	\$ -	\$ -	\$ 872,133	\$ 872,133
Cumulative results of operations	743	194,980	(15,919)	179,804
<b>Total Net Position</b>	<b><u>\$ 743</u></b>	<b><u>\$ 194,980</u></b>	<b><u>\$ 856,214</u></b>	<b><u>\$ 1,051,937</u></b>

**NOTE 10 – APPROPRIATIONS RECEIVED BY THE TRUST FUND**

For fiscal year 2007, the National Service Trust received \$117.7 million under the Revised Continuing Appropriations Resolution, 2007 (Public Law 110-5). For fiscal year 2006, the Trust received \$138.6 million (\$140 million less the one percent government-wide rescission included in the Department of Defense Appropriations Act, 2006 (P.L. 109-148)) under the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 (P.L. 109-149).

The Acts also authorized the Corporation to transfer additional amounts from subtitle C program funds to the Trust if “necessary to support the activities of national service participants.” The Corporation transferred \$16.3 million to the Trust under this provision in fiscal 2006. No funds were transferred in fiscal 2007. The Trust portion of the 2006 NCSA rescission was transferred back to NCSA, reducing the net amount of appropriations received by the Trust during the fiscal year.

**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 Trust operations. The NCCC sub-program includes direct and allocated personnel and administrative costs including AmeriCorps recruitment and Trust operations. The VISTA sub-program includes grant expenses, as well as direct and allocated personnel and administrative costs including AmeriCorps recruitment and 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. The largest component of total expense is grant funds expended.

<b>Components of Grant Funds Expended for the years ended September 30</b>		
<i>(dollars in thousands)</i>		
	<b>2007</b>	<b>2006</b>
Domestic Volunteer Service Act Programs	\$ 249,634	\$ 308,007
National and Community Service Act Programs	347,085	240,753
Pass-through Grants	2,781	9,504
<b>Total Grant Funds Expended</b>	<b><u>\$ 599,500</u></b>	<b><u>\$ 558,264</u></b>

<b>Expenses by Major Responsibility Segment for the years ended September 30</b>		
<i>(dollars in thousands)</i>		
	<b>2007</b>	<b>2006</b>
AmeriCorps		
State, National, Tribes & Territories (State/National)	\$ 461,509	\$ 399,882
National Civilian Community Corps (NCCC)	37,188	37,162
Volunteers In Service To America (VISTA)	<u>123,607</u>	<u>116,807</u>
Subtotal	\$ 622,304	\$ 553,851
National Senior Service Corps		
Retired and Senior Volunteer Program (RSVP)	66,286	65,480
Foster Grandparent Program (FGP)	123,293	119,773
Senior Companion Program (SCP)	<u>\$ 51,249</u>	<u>\$ 50,702</u>
Subtotal	240,828	235,955
Learn and Serve America	59,503	51,799
Pass-through Grants	2,781	9,504
Office of Inspector General (OIG)	5,634	7,778
<b>Total Expenses</b>	<b><u>\$ 931,050</u></b>	<b><u>\$ 858,887</u></b>

**Expenses by Type and Subprogram for the year ended September 30, 2007**

*(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	\$ 295,095	\$ -	\$ 27,268	\$ 60,933	\$ 114,075	\$ 47,358	\$ 51,990	\$ 2,781	\$ -	\$ 599,500
VISTA & NCCC stipends & benefits	-	10,201	57,283	-	-	-	-	-	-	67,484
Service award expense	127,982	3,576	14,130	-	-	-	1,627	-	-	147,315
<b>Total Grant and Related Expense</b>	<b>423,077</b>	<b>13,777</b>	<b>98,681</b>	<b>60,933</b>	<b>114,075</b>	<b>47,358</b>	<b>53,617</b>	<b>2,781</b>	<b>-</b>	<b>814,299</b>
<b>Administrative Expense</b>										
Federal employee salaries & benefits	22,459	9,823	9,949	2,962	5,567	2,303	3,667	-	2,999	59,729
Travel & transportation	1,343	4,140	4,475	161	289	123	180	-	124	10,835
Rent, communications, & utilities	4,202	2,879	967	510	954	396	405	-	391	10,704
Program analysis & evaluation	853	775	775	245	456	190	581	-	-	3,875
Printing & reproduction	94	112	101	11	19	8	9	-	1	355
Other services and expenses	8,477	4,687	8,191	1,299	1,623	744	913	-	2,074	28,008
Supplies & materials	307	983	349	69	130	53	48	-	45	1,984
Depreciation, amortization & loss on disposition of assets	581	10	99	80	150	62	69	-	-	1,051
Bad debt	116	2	20	16	30	12	14	-	-	210
<b>Total Administrative Expense</b>	<b>38,432</b>	<b>23,411</b>	<b>24,926</b>	<b>5,353</b>	<b>9,218</b>	<b>3,891</b>	<b>5,886</b>	<b>-</b>	<b>5,634</b>	<b>116,751</b>
<b>Total Expenses by Type</b>	<b>\$ 461,509</b>	<b>\$ 37,188</b>	<b>\$ 123,607</b>	<b>\$ 66,286</b>	<b>\$ 123,293</b>	<b>\$ 51,249</b>	<b>\$ 59,503</b>	<b>\$ 2,781</b>	<b>\$ 5,634</b>	<b>\$ 931,050</b>

**Expenses by Type and Subprogram for the year ended September 30, 2006**

*(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	\$ 261,409	\$ -	\$ 22,536	\$ 60,159	\$ 111,190	\$ 46,868	\$ 46,598	\$ 9,504	\$ -	\$ 558,264
VISTA & NCCC stipends & benefits	-	7,803	60,904	-	-	-	-	-	-	68,707
Service award expense	103,924	4,075	12,340	-	-	-	(99)	-	-	120,240
<b>Total Grant and Related Expense</b>	<b>365,333</b>	<b>11,878</b>	<b>95,780</b>	<b>60,159</b>	<b>111,190</b>	<b>46,868</b>	<b>46,499</b>	<b>9,504</b>	<b>-</b>	<b>747,211</b>
<b>Administrative Expense</b>										
Federal employee salaries & benefits	21,581	10,781	7,605	3,261	6,019	2,544	3,718	-	3,011	58,520
Travel & transportation	998	4,003	4,319	170	287	123	146	-	127	10,173
Rent, communications, & utilities	3,114	2,564	818	445	820	346	303	-	332	8,742
Program analysis & evaluation	771	695	698	223	407	172	521	-	-	3,487
Printing & reproduction	79	89	95	9	17	7	12	-	4	312
Other services and expenses	7,020	6,195	7,060	1,080	798	542	494	-	4,146	27,335
Supplies & materials	364	934	362	86	145	62	69	-	156	2,178
Depreciation, amortization & loss on disposition of assets	606	22	66	45	85	36	35	-	2	897
Bad debt	16	1	4	2	5	2	2	-	-	32
<b>Total Administrative Expense</b>	<b>34,549</b>	<b>25,284</b>	<b>21,027</b>	<b>5,321</b>	<b>8,583</b>	<b>3,834</b>	<b>5,300</b>	<b>-</b>	<b>7,778</b>	<b>111,676</b>
<b>Total Expenses by Type</b>	<b>\$ 399,882</b>	<b>\$ 37,162</b>	<b>\$ 116,807</b>	<b>\$ 65,480</b>	<b>\$ 119,773</b>	<b>\$ 50,702</b>	<b>\$ 51,799</b>	<b>\$ 9,504</b>	<b>\$ 7,778</b>	<b>\$ 858,887</b>

**NOTE 12 – NATIONAL SERVICE AWARD EXPENSE**

Members participating in the Trust programs are eligible to earn a service award to pay for qualified education expenses. The Trust also pays interest forbearance costs on qualified student loans during the period members perform community service. 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, 2007 and 2006, respectively, has been adjusted to reflect the fact that earned awards are not always used.

<b>National Service Award Expense for the years ended September 30</b>		
<i>(dollars in thousands)</i>		
	<b>2007</b>	<b>2006</b>
Estimated education awards	\$ 140,902	\$ 117,899
Estimated interest forbearance	4,786	2,440
President's Freedom Scholarship Program	1,627	(99)
<b>National Service Award Expense</b>	<b><u>\$ 147,315</u></b>	<b><u>\$ 120,240</u></b>

**NOTE 13 – INCREASE/(DECREASE) IN UNEXPENDED APPROPRIATIONS, NET**

<b>Increase/(Decrease) in Unexpended Appropriations, Net as of September 30</b>		
<i>(dollars in thousands)</i>		
	<b>2007</b>	<b>2006</b>
<b>Increases:</b>		
Appropriations Received, Net of Trust	\$ 884,547	\$ 919,049
<b>Decreases:</b>		
Appropriated Capital Used	(779,456)	(731,807)
Appropriations Transferred to Trust Fund	(117,720)	(154,868)
Rescinded Appropriations	-	(9,090)
Canceled Appropriations	<u>(30,907)</u>	<u>(15,551)</u>
Total Decreases	(928,083)	(911,316)
<b>Increase/(Decrease) in Unexpended Appropriations, Net</b>	<b><u>\$ (43,536)</u></b>	<b><u>\$ 7,733</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 a special appropriation called 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, 2007 and 2006 were \$837,042 thousand and \$879,672 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. For fiscal year 2006 the Corporation was not required to break out its obligations between direct and reimbursable on the SF 133. Obligations incurred during fiscals 2007 and 2006 were:

<b>Consolidated Obligations Incurred</b>			
<i>(dollars in thousands)</i>			
<b>Fiscal Year</b>	<b>Direct</b>	<b>Reimbursable</b>	<b>Total</b>
<b>Fiscal 2007</b>	<b>\$ 1,059,318</b>	<b>\$ 4,511</b>	<b>\$ 1,063,829</b>
<b>Fiscal 2006</b>	<b>\$ 1,148,622</b>	<b>\$ -</b>	<b>\$ 1,148,622</b>

**NOTE 17 - RESTATEMENT OF NET OUTLAYS ON THE STATEMENT OF BUDGETARY RESOURCES**

In April 2006, the Treasury revised the methodology for computing distributed offsetting receipts on the Statement of Budgetary Resources (SBR) and issued guidance to agencies to implement the change in September 2006 (*“Guide to Reporting Distributed Offsetting Receipts on the Statement of Budgetary Resources,”* dated September 28, 2006). Applying this new methodology, the Corporation collected distributed offsetting receipts of \$155,064 thousand during fiscal 2006, but reported distributed offsetting receipts of \$25,228 thousand on its SBR for the year ended September 30, 2006. As a consequence, the Corporation understated its offsetting receipts and overstated its Net Outlays by \$129,836 thousand.

Accordingly, the Corporation has restated the SBR for the year ended September 30, 2006, to increase Distributed Offsetting Receipts and decrease Net Outlays by \$129,836 thousand. Distributed Offsetting Receipts are reported on the SBR solely for the purpose of arriving at Net Outlays and correlating with the President's Budget. Thus, Distributed Offsetting Receipts (and the restatement thereof) has no effect on the Balance Sheet, Statement of Operations and Changes in Net Position, and Statement of Cash Flows, or require an adjustment to any account balance. The Corporation has incorporated the Treasury guidance into its financial statement preparation procedures for fiscal 2007. The total effect of the restatement on the Statement of Budgetary Resources for the year ended September 30, 2006, is as follows:

<i>(dollars in thousands)</i>			
<b>Fiscal 2006 Outlays</b>	<b>As Published</b>	<b>Adjustment</b>	<b>As Restated</b>
Gross Outlays	\$ 1,007,987	\$ -	\$ 1,007,987
Offsetting collections	(10,675)	-	(10,675)
Distributed offsetting receipts	(25,228)	(129,836)	(155,064)
<b>Net Outlays</b>	<b><u>\$ 972,084</u></b>	<b><u>\$ (129,836)</u></b>	<b><u>\$ 842,248</u></b>

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

To the Inspector General  
Corporation for National and Community Service

We have audited the financial statements of the Corporation for National and Community Service ("the Corporation") as of and for the year ended September 30, 2007, and have issued our report thereon dated November 8, 2007. 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*.

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. 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 U.S. generally accepted government auditing standards or OMB Bulletin 07-04.

\*\*\*\*\*

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 8, 2007

## Independent Auditor's Report on Internal Control

To the 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, 2007, and have issued our report thereon dated November 8, 2007. 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*.

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. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04. 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. 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 a 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 in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be significant deficiencies or material weaknesses, as defined above.

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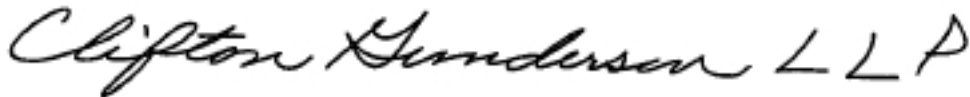
**STATUS OF PRIOR YEAR COMMENTS**

As required by *Government Auditing Standards* we have provided the status of prior-year reportable conditions in Exhibit 1.

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In addition, we noted other matters involving internal control and its operation that we will report to the Corporation management in a separate management letter.

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.



Calverton, Maryland  
November 8, 2007

EXHIBIT 1  
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE  
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS  
September 30, 2007

<b>FY 2006 Findings</b>			
	<b>Report</b>	<b>Type</b>	<b>Current Status</b>
Financial Statement Quality Control and Assurance	Internal Control	2006 Reportable Condition	Closed
Cost-Share Agreements	Compliance	2006 Compliance with OMB Circular A-11 Section 20.4(b)	Closed

**APPENDIX**

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**CORPORATION RESPONSE TO REPORT**

November 9, 2007

The Honorable Gerald Walpin  
Inspector General  
Corporation for National and Community Service  
Suite 830  
Washington, D.C. 20525

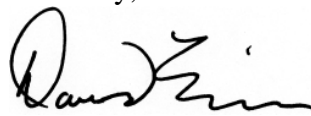
Dear Mr. Walpin:

Thank you for the opportunity to comment on the draft report on the audit of the Corporation's fiscal 2007 financial statements. The Corporation received an unqualified opinion for the eighth year in a row and, for the first time ever, had no material weakness or significant deficiencies in its operations. This is a significant milestone in which we all take pride. These results reflect the Corporation's commitment to sound financial management and the hard work by staff over the past year to improve operations.

While pleased with these results, I recognize this is an on-going process. The Corporation is committed to making continuous improvement in its programs and operations. Examples of this include the consolidation of five service centers into one during fiscal 2007 and efforts to transition to the government-wide lines of business for grants and human capital over the next 18 months to further streamline operations and better serve grantees.

Finally, I would like to express my appreciation for the efforts made by your staff and the staff of Clifton Gunderson LLP. The completion of the audit under the tight timeframes mandated for federal financial statements could not have been achieved without the close cooperation of both staffs.

Sincerely,



David Eisner  
*Chief Executive Officer*

