

Agency Financial Report

Fiscal Year 2012



Purpose of this Report

In lieu of a Performance and Accountability Report, the Corporation for National and Community Service (CNCS) will instead produce three reports that provide financial management and program performance information. Each report will be available on CNCS' website at http://www.nationalservice.gov/about/role_impact/performance.asp as they are completed.

- This report, the **Agency Financial Report (AFR)**, focuses on CNCS' financial management and the results of the agency's annual financial audit. It includes management's assurance statement, CNCS' improper payments report, and a response from management.
- The **Annual Performance Report (APR)** provides an overall assessment of agency performance. The APR will be included in CNCS' FY 2014 Congressional Budget Justification, which will be transmitted to Congress in February 2013.
- The **Performance Highlights Report** summarizes key information from the AFR and APR. It will be available in February 2013.

These reports meet all requirements under the Government Performance and Results Act, the Federal Financial Management Improvement Act, the Federal Managers' Financial Integrity Act, the Government Corporation Control Act, the Improper Payments Information Act, and the Federal Information Security Management Act, among others. These reports also follow applicable guidance from the Office of Management and Budget (OMB), as well as the recommendations of the Association of Government Accountants' Certificate of Excellence in Accountability Reporting program.

How to Serve

If you are interested in joining or learning more about CNCS programs, go to NationalService.gov. Under the "For Individuals" menu, click on "Join Now" to discover which opportunity is right for you.



1201 New York Avenue, NW Washington, DC 20525
202-606-5000 • TTY 202-606-3472
NationalService.gov info@cns.gov

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Management's Discussion & Analysis



AmeriCorps members work with volunteers from Habitat for Humanity to build a house on the Martin Luther King, Jr. Day of Service.

MESSAGE FROM THE CEO



I am pleased to present the Fiscal Year 2012 Agency Financial Report of the Corporation for National and Community Service (CNCS), a summary of our performance and financial condition in relation to our mission and goals.

For nearly two decades, CNCS has invested in community solutions across the nation -- working hand in hand with local partners to improve lives, expand economic opportunity, and engage millions of Americans in solving problems in their communities.

Our national service programs tap the energy of our nation's greatest resource -- the American people -- and focus it on pressing community problems. With our unique structure as a public-private partnership, CNCS programs benefit the recipients of service, those who serve, local communities, and our nation.

In Fiscal Year 2012 we continued our commitment to strong performance, focused investments, innovative partnerships, and management excellence. CNCS engaged millions of Americans in service, provided critical services to communities across the U.S., strengthened thousands of nonprofit and faith-based groups, forged cost-saving partnerships, increased efficiency and accountability, and continued our strong record of reliable fiscal stewardship.

Expanding Economic Opportunity

Through all our programs, CNCS seeks to expand economic opportunity. By helping more Americans graduate from high school, gain career skills, pursue higher education, and find work, national service provides immediate and long term benefits by expanding individual opportunity, building family stability, and creating more sustainable, resilient communities.

Whether providing job counseling to returning veterans, delivering independent living services to help seniors stay in their own homes, helping families rebuild after disasters, or tutoring and mentoring students in low-performing schools, national service programs expanded economic opportunity for millions of Americans in FY 2012.

Driving Impact and Innovation

In FY 2012, we continued to implement a comprehensive five-year Strategic Plan guided by the bipartisan Edward M. Kennedy Serve America Act. Our plan recognizes that national service will have its greatest impact if we target resources on a core set of critical national problems and evaluate our impact using standardized performance measures.

To carry out the plan, we adopted a set of agency-wide priority measures which all of our programs are implementing through program guidance, grant competitions, and technical assistance. We are using competition to fund high quality, high value programs that achieve measurable results, and we are working to maximize this investment by emphasizing leverage and performance.

Recognizing the need for new approaches to complex problems, we are fostering innovation through all of our programs. In FY 2012, we awarded the third year of grants through the Social Innovation Fund, leveraging private and non-federal funds to expand the impact of promising nonprofit programs serving low-income communities.

Growing National Service and Volunteerism

The nation faces serious challenges, and governments at every level are facing increasing demands at a time of fiscal constraint. National service and volunteerism play a key role in filling this gap. We engage millions of citizens in high-impact service to meet local needs, and it multiplies the value of our investment by leveraging hundreds of millions of non-federal dollars and in-kind donations.

CNCS expanded our use of partnerships to engage Americans in service in FY 2012. We launched FEMA Corps, an innovative partnership to enhance the nation's disaster response capabilities and achieve cost savings for the taxpayer. Through AmeriCorps VISTA, we launched the first-ever partnership with the National Guard Bureau to improve services to returning guardsmen and their families, and expanded a partnership with the U.S. Department of Agriculture to fight hunger.

We partnered with hundreds of nonprofits, schools, universities, and businesses to engage 780,000 Americans in the Martin Luther King Jr. Day of Service and September 11th National Day of Service and Remembrance. We worked with the business community to help enlist more than 200 companies that have pledged an estimated \$1.8 billion worth of skills-based services through the Billion + Change initiative.

Managing for Results and Accountability

CNCS has a deep and ongoing commitment to ensuring the highest levels of accountability in our financial and program operations. I am pleased to report that CNCS maintained its record of strong fiscal stewardship by achieving an unqualified "clean" audit opinion for the 13th consecutive year. Our year-end budget close-out went as scheduled, and all accounts came in on budget.

Other FY 2012 management accomplishments include creating a new Office of Accountability and Oversight to coordinate accountability initiatives, beginning with implementation of competition in the Retired Senior Volunteer Program (RSVP), holding our first ever Senior Corps virtual conference, enhancing information technology security and reliability, and expanding leadership training. We have built an outstanding senior team with the vision and experience to lead the agency into a new era of results-oriented performance, and we have an extraordinary board of directors who represent some of the nation's foremost leaders in nonprofit leadership and community service. America has always been at its best when citizens work together, joined in common purpose. A sense of shared responsibility is woven into the fabric of our nation. In this era of fiscal restraint, Americans remain eager to do their part.

Guided by the Serve America Act, supported by a strong leadership team and dedicated staff, CNCS is investing in community solutions, expanding opportunity, driving innovation and impact, and engaging more Americans to tackle community problems – building a better future for our citizens, communities, and nation.

In Service,



Wendy Spencer

Chief Executive Officer

Agency Mission and Overview

The mission of the Corporation for National and Community Service (CNCS) is to improve lives, strengthen communities, and foster civic participation through service and volunteering.

Through AmeriCorps, VISTA, NCCC, Senior Corps, the Social Innovation Fund, National Days of Service, United We Serve, and other initiatives, CNCS and the network it supports annually engages millions of Americans in service to meet national and local needs.

CNCS supports the American culture of citizenship, national service, and responsibility. We are a mechanism for change and champion the ideal that every American has skills and talents to give. As the nation's largest grant maker in the area of service, CNCS promotes volunteering and civic engagement around the country and helps organizations build their capacity to engage volunteers effectively. Participants in CNCS programs provide assistance to their communities through nonprofits, K-12 schools, institutions of higher learning, faith-based and other community organizations, and local and state governments.

For nearly two decades, CNCS has invested in community solutions across the nation – working hand in hand with local partners to improve lives, expand economic opportunity, and engage millions of Americans in solving problems in their communities.

With its unique structure as a public-private partnership and its model of engaging citizens and leveraging outside resources, national service benefits the recipients of service, those who serve, and local communities and our nation.

CNCS brings commitment, resources, and coordination to some pressing challenges: educating students for the 21st century jobs, supporting individuals, families, and neighborhoods on the road to economic recovery; addressing the needs of military families and a new generation of veterans returning from war; helping communities rebuild after natural disasters; strengthening energy efficiency and improving at-risk ecosystems; and providing healthy futures.

At a time of social need and fiscal constraint, CNCS is improving its process to award grants to programs that produce results, by supporting local organizations and leveraging outside resources to assist individuals and communities in need and put more Americans on the pathway to economic opportunity.

Through all its programs, CNCS seeks to expand economic opportunity. This includes helping disconnected youth, new Americans, veterans, military families, seniors, people with disabilities, and others acquire the skills, education, and training they need for productive employment. By helping more Americans graduate, pursue higher education, and find work, national service provides immediate benefits to the community and potential long-term benefits to service recipients and those who serve.

CNCS seeks to strengthen the social safety net in a unique way, by bolstering the civic, neighborhood, and faith-based organizations that serve most vulnerable citizens. Based on principles of local control, competition, accountability, and public-private partnership, CNCS and the network it supports engages millions of Americans in results-driven service each year across the country, from large cities to small towns to rural areas.

Serving in many of the nation's most impoverished communities, CNCS provides support to America's civic infrastructure of food banks, homeless shelters, community health clinics, youth centers, veteran's service facilities, State Service Commissions, and volunteer centers.

CNCS multiplies the impact of its federal investment by leveraging non-federal dollars, and mobilizing millions of volunteers.

Legislation

Congress created CNCS in 1993, merging the work and staff of two separate agencies that provided opportunities for Americans of all ages and backgrounds to serve their communities.

At its inception, CNCS was directed to manage three main programs:

- **Senior Corps**, which incorporated the Foster Grandparents Program (FGP), Retired Senior Volunteer Program (RSVP), and Senior Companion Programs (SCP);
- The newly created **AmeriCorps**, which incorporated the Volunteers in Service to America (VISTA), State and National, and National Civilian Community Corps (NCCC); and
- **Learn and Serve America**.

Enacted on April 21, 2009, the bipartisan Edward M. Kennedy Serve America Act (SAA) reauthorized and expanded the mission and operation of CNCS, amending the National and Community Service Act of 1990 and the Domestic Volunteer Service Act of 1973.

The SAA authorized both the expansion of existing service programs and the creation of a number of new programs to provide opportunities to serve and provide support for the nonprofit sector. The legislation also

directed CNCS to target resources on a core set of critical national problems and evaluate our impact using standardized performance measures.



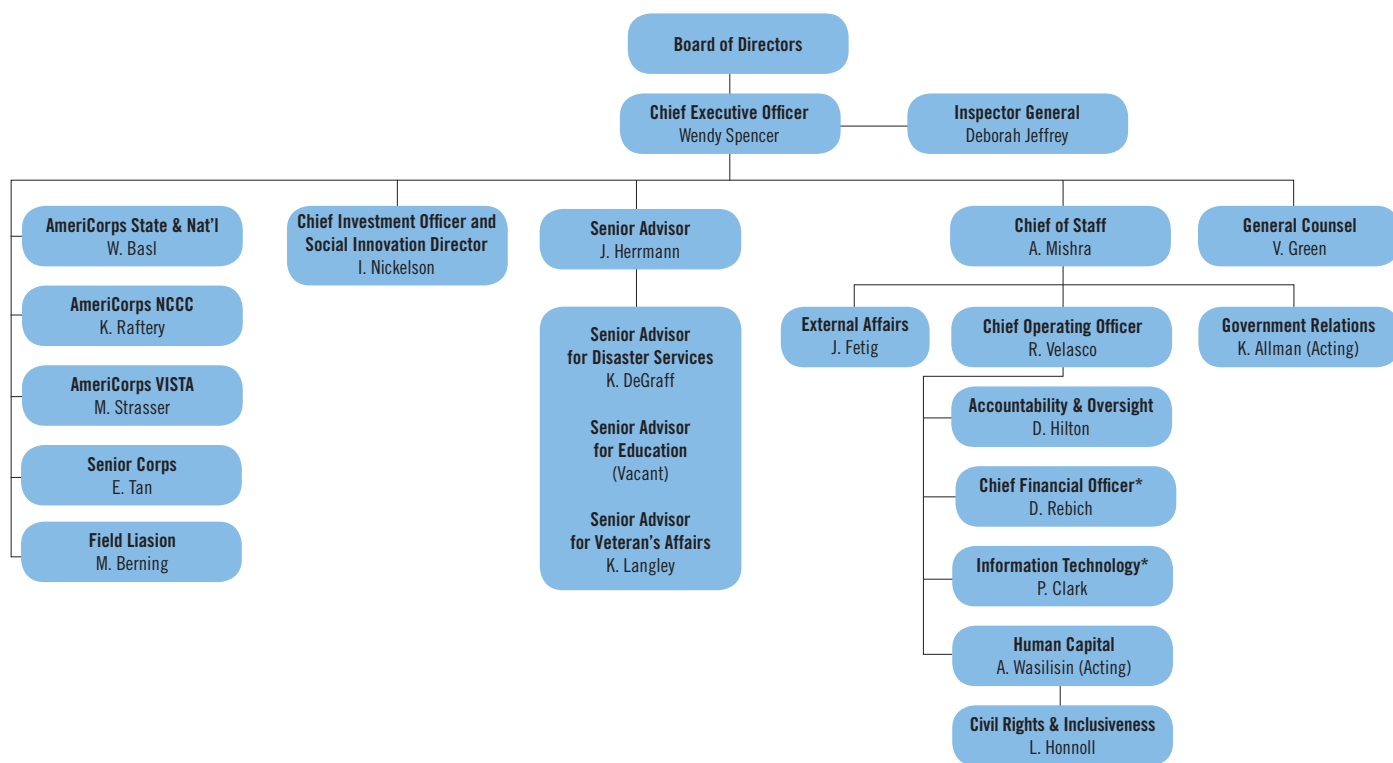
Large numbers of people volunteered for the September 11th National Day of Service and Remembrance.

Organizational Structure

Headquartered in Washington, D.C., CNCS is an independent federal agency with a Board of Directors, Chief Executive Officer (CEO), and Inspector General (IG) – all of whom are appointed by the President and confirmed by the Senate.

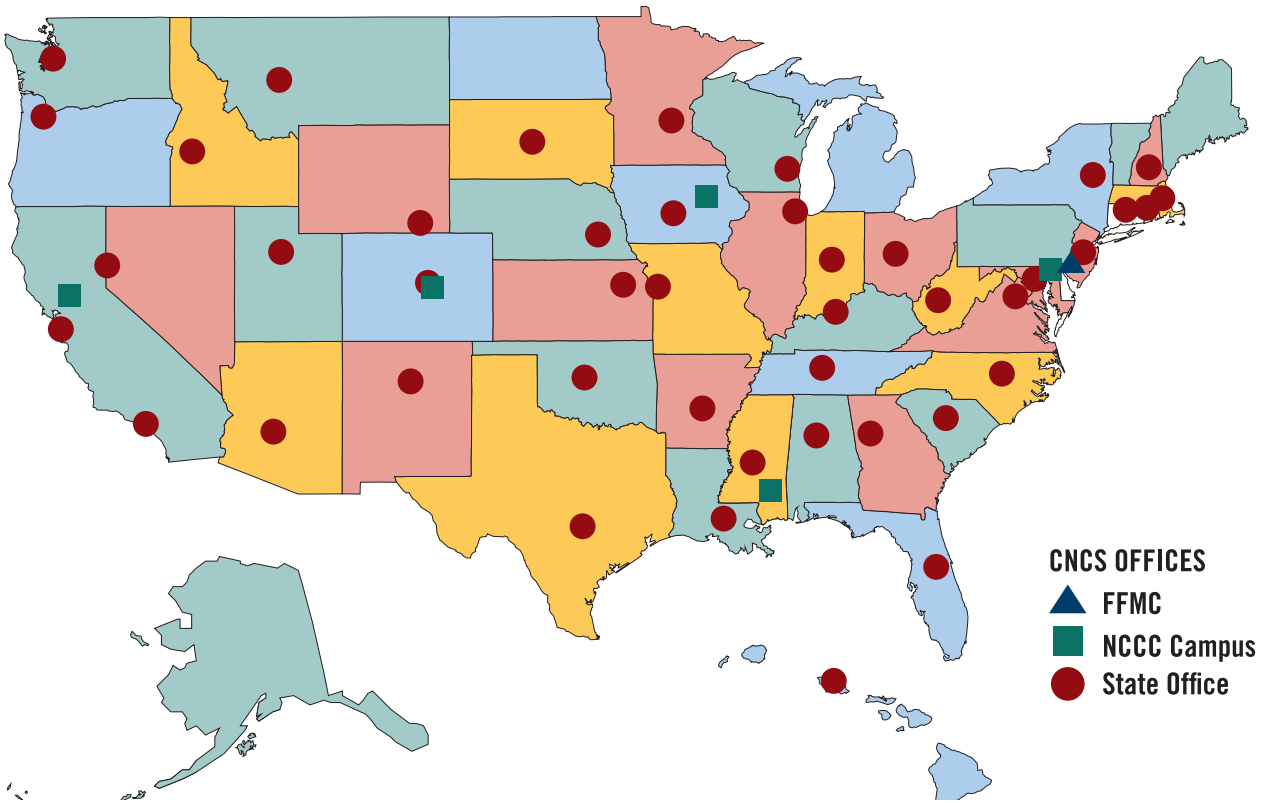
The CEO provides overall management of the agency's programs and operations, including more than 500 employees who work throughout the United States and its territories. The Board of Directors works closely with the CEO to set policies and direction for CNCS, advises the President and the Congress concerning developments in national and community service that merit their attention, and conducts an annual evaluation of the CEO.

Figure 1. Corporation Organization Chart



* Denotes staff that also have reporting line to the CEO

Figure 2. Corporation Field Offices



Strategic Priorities

CNCS' 2011-2015 Strategic Plan underscores its commitment by defining a focused path to deliver enhanced programs and benefits to communities. In particular, the adoption of the Plan's agency-wide, outcome-oriented performance measures strengthens the foundation for accountability. By adhering to a set of agency-wide measures, CNCS can assess the individual and collective results of programs and continue to improve its work. A common set of measures also expands CNCS' ability to account for the combined contributions of all our grantees, sponsors, and partners particularly in areas that have greatest community impact and mitigate grantee risk.

Implementation of the FY 2011–FY 2015 Strategic Plan.

In FY 2011, CNCS began to implement a comprehensive five year Strategic Plan guided by the vision set forth in the Serve America Act and focusing national service on a core set of four strategic goals while assessing the impact of CNCS programming. These goals are

the foundation for the Strategic Plan and challenge CNCS to lead and operate at a higher level of accountability, integrity, and transparency.

Increase the impact of national service on community needs in communities served by CNCS-supported programs.

CNCS received enacted appropriations of \$1.0 billion during FY 2012. CNCS used this to invest in community programs that achieve outcomes in Disaster Services, Economic Opportunity, Education, Environmental Stewardship, Healthy Futures, and Veterans and Military Families. Looking ahead, these investments will focus on achieving outcomes reflected in the agency's new mandatory performance measures.

Strengthen national service so that participants engaged in CNCS-supported programs consistently find satisfaction, meaning, and opportunity.

CNCS set forth goals to strengthen the experience of individuals participating in national service. CNCS supports the national service network in providing experiences that offer a unique combination of

professional, educational, and life benefits to service participants. The network also recruits a diversity of Americans, especially those from underrepresented or disadvantaged populations. CNCS will collaborate with the national service network to strengthen outreach efforts and to implement best practices that ensure a powerful service experience.

Maximize the value we add to grantees, partners, and participants.

To support its focus on a specific set of both community outcomes and powerful service experiences, CNCS is developing a relevant and accessible knowledge base informed by research and rigorous evaluation, and CNCS conducts capacity building activities that advance the adoption of best practices.

Fortify management operations and sustain a capable, responsive, and accountable organization.

CNCS works across programs to enhance its operations, support evidence-based decision making, and to foster a culture of performance. CNCS will also build upon its current infrastructure to strengthen and enhance our IT systems, workforce, and financial and grants management efforts.

As the blueprint guiding our work, the Strategic Plan includes further details on the specific objectives, strategies, and performance measures that determine how CNCS will evaluate its success in the coming years. The full plan and appendix are posted on our website at: http://www.nationalservice.gov/about/focus_areas/index.asp

Activity	FY 2012 Enacted (dollars in thousands)
AmeriCorps State and National	\$ 344,348
AmeriCorps VISTA	\$ 94,820
AmeriCorps NCCC	\$ 31,882
State Commissions Admin. Grants	\$ 13,441
Senior Corps	
RSVP	\$ 50,204
Foster Grandparent Program	\$ 110,565
Senior Companion Program	\$ 46,722
Subtitle H	
Innovation, Demonstration and Assistance	\$ 4,481
Social Innovation Fund	\$ 44,815
Volunteer Generation Fund	\$ 3,984
Evaluation	\$ 2,994
Training and Technical Assistance	\$ 1,996
Disability Placement Funds	\$ 0
National Service Trust	\$ 211,797
Salaries and Expense	\$ 82,843
Office of Inspector General	\$ 3,992
TOTAL	\$ 1,048,884

CNCS' priority measures, built upon our historical work, provide a common focal point for all our programs, and will allow us to demonstrate the tangible results our grantees and participants are achieving. As CNCS continues to align its programming to the agency's priority measures, the agency is taking steps to adopt a more performance-oriented culture. These include testing and assessing the impact of CNCS's new strategic plan on the agency's partners and customers, building structures and systems for performance measurement, analysis, and knowledge management, and enhancing staff capacity to support results-based services. Some highlights of this effort are provided in this report. More specific information on these initiatives will be available in the agency's FY 2012 performance report, which will be presented with CNCS' FY 2014 Congressional Budget Justification.

In FY 2012, CNCS continued to implement its Strategic Plan through incorporating its priorities in partnership agreements such as notices of funding availability, training its grantees on new measures, and enhancing information technology systems.

The following pages present an overview of CNCS' priority performance measures in the context of associated goals, focus areas, and contributing programs. CNCS grant programs will begin to report actual data against these measures in FY 2014. Preliminary measure data from AmeriCorps VISTA is available on page 12 of this report.

Goal 1: Increase the impact of national service on community needs in communities served by CNCS-supported programs

Disaster Services	Number of individuals that received assistance from CNCS-supported programs in disaster preparedness, mitigation, response, and/or recovery.
Economic Opportunity	Percent of economically disadvantaged people that received housing-related assistance from CNCS-supported members, participants, and volunteers who showed improvement in their housing situation.
Education	Percent of children that demonstrated gains in school readiness. Percent of students served by or serving in CNCS-supported programs that demonstrated improved academic performance (including the percent meeting state proficiency levels in literacy and/or math, or whose scores on state standardized tests improved). Percent of students served by CNCS-supported programs, or engaged in CNCS-supported service-learning, that demonstrated improved academic engagement.
Environmental Stewardship	Number of at-risk acres (land and/or water) improved by CNCS-supported members, participants, and volunteers.
Healthy Futures	Percent of homebound or older adults and individuals with disabilities that received CNCS-supported services who reported having increased social ties/perceived social support. Number of individuals that gained access to food resources provided with the assistance of CNCS-supported members, participants, or volunteers.
Veterans and Military Families	Number of each of the four categories of service recipients (veterans, veterans' family members, family members of active duty military, and military service members) that received CNCS-supported assistance.

Goal 2: Strengthen national service so that participants engaged in CNCS-supported programs consistently find satisfaction, meaning, and opportunity

Veterans and Military Families	Number of veterans and military family members engaged in providing services through CNCS-supported programs.
Service Participants	Percent of service participants engaged in CNCS-supported programs who report gaining skills they can apply to future educational, professional, or civic endeavors.

Goal 3: Maximize the value we add to grantees, partners, and participants

Percent of organizations that implement evaluations that demonstrate stronger evidence of program effectiveness than the prior year in order to receive CNCS national service participants or funding.
Number of community volunteers recruited and/or managed by CNCS-supported organizations or National Service Participants.

Goal 4: Fortify management operations and sustain a capable, responsive, and accountable organization

Complete modernization of IT infrastructure.
Ensure that no material internal control or compliance issues are identified in the annual financial statement audit.
Award and close grants and contracts within prescribed timeframes.



AmeriCorps NCCC members are inducted into service.

CNCS Programs and Performance

AmeriCorps State and National

For nearly two decades, AmeriCorps State and National has engaged hundreds of thousands of members in intense, impactful service in every state. These AmeriCorps members have dedicated millions of hours of service in communities across the nation – tutoring children who are struggling in school, responding to natural disasters, building homes for low-income families, and helping returning veterans and their families. In meeting these community needs, AmeriCorps has been the catalyst for many of our country’s most respected and innovative nonprofit organizations in serving our most vulnerable citizens.

Performance Measure — AmeriCorps State and National		
1 - Increase impact on communities	2 - Enhance volunteer experience	3 - Maximize value to grantees, partners, and participants
Enacted FY 2012 Budget		
\$344.3 million		

In FY 2012, AmeriCorps State and National continued to align its programming to the agency’s Strategic Plan. This included prioritizing

funding to critical focus areas for the grant awards CNCS made in the fourth quarter of the fiscal year. The agency funded organizations across all six priority focus areas identified in the SAA, and placed the highest priority of AmeriCorps grant funding on programs that improve academic outcomes for economically disadvantaged children, programs that serve and engage veterans and military families, and programs that help individuals and communities prepare, respond, recover, and mitigate disasters and increase community resiliency.

In FY 2012, CNCS funded approximately 67,000 AmeriCorps members across all AmeriCorps State and National grants. This number is lower than projected for FY 2012. The projections of AmeriCorps member levels are driven by estimates of average cost per member and the percentages of member slot types (ie., quarter-time, half-time, full-time, etc.). Successful programs selected for funding in FY 2012 had higher costs per member and higher percentages of half-time and full-time members than projected. CNCS is adjusting its methodology for calculating annual member projections to consider known data about continuation grantees and current trends in program design.

Final performance data for the entire portfolio will be reported in the FY 2012 Annual Performance Report, released as a part of the FY 2014

Congressional Budget Justification.

AmeriCorps VISTA

AmeriCorps VISTA was created to reduce poverty and build economic opportunity in low-income communities across the country. Authorized in 1964 as Volunteers in Service to America, the program was incorporated into the AmeriCorps network of programs in 1993. AmeriCorps VISTA supports efforts to alleviate poverty in urban and rural areas by engaging individuals ages 18 and older in one year of full-time service. These AmeriCorps members build the organizational, administrative, and financial capacity of programs that help low-income Americans gain the skills and resources they need to break the cycle of poverty. AmeriCorps VISTA members are assigned to nonprofit community organizations, tribes, and public agencies through an application process locally managed by CNCS state offices.

Strategic Goals — AmeriCorps VISTA		
1 - Increase impact on communities	2 - Enhance volunteer experience	3 - Maximize value to grantees, partners, and participants
Enacted FY 2012 Budget		
\$94.8 million		

The AmeriCorps VISTA program is guided by the core principles of sustainability, capacity building, and strengthening community. It offers critical contributions to the agency’s mission priorities under goals one, two, and three of CNCS’ Strategic Plan through activities such as community outreach and partnership development, and establishment of volunteer recruitment and management systems. Members strengthen and improve the ability of local organizations to carry out their mission and programs. Sponsoring organizations must ensure that their project engages residents of the targeted low-income community in the planning, development, and implementation of the project to which members are assigned. In doing so, the program promotes service and community engagement at the local level.

In FY 2012, AmeriCorps VISTA placed more than 8,000 VISTAs and preliminary results indicated more than 600,000 volunteers were recruited to build capacity in more than 1,100 community organizations. Members are assigned to programs in education, employment, housing, and financial development, to assist individuals and communities affected by long-term poverty and unemployment and those facing hardships resulting from the current economic recession. In FY 2012, AmeriCorps VISTA focused new project development on economic

opportunity, educational improvement at underperforming schools, and creating or expanding programs that support veterans and military families.

AmeriCorps VISTA also successfully placed 1,730 young people in Summer Associate positions as part of the White House “Summer Jobs” initiative to place disconnected youth from low-income communities in summer jobs. Of these associates, more than 80 percent came from low-income communities and served with local organizations in 43 states. Each associate received a stipend and the opportunity to earn education awards.

CNCS continued to develop the VISTA Campus—AmeriCorps VISTA’s online learning and knowledge management site that offers VISTA leaders, members, and sponsors around-the-clock support in professional development, peer support, and program guidance.

Economic Opportunity

More than half of all new projects developed in FY 2012 were in Economic Opportunity. Community organizations, including faith-based programs, used VISTA resources to create or expand projects that help people find employment, move into safe and affordable housing, and become financially independent.

- Legal Assistance Foundation of Metropolitan Chicago VISTAs helped low-income individuals get legal representation and navigate the legal system – important steps toward economic self-sufficiency. VISTA members recruited, coordinated, trained, and supported volunteer attorneys and interpreters for a program that assisted immigrant victims of domestic violence who were applying for U.S. citizenship under the Violence Against Women Act. In a two-year period ending in FY 2012, VISTAs recruited almost 250 volunteer attorneys who contributed 10,000 hours of legal services annually and served more than 1,100 clients.
- VISTAs at the New London Homeless Hospitality Center in Connecticut increased the staff capacity through volunteer recruitment and management. The VISTAs reached out to area colleges, universities, and churches to recruit volunteers who help guests at the Hospitality Center fill out job applications, replace lost documents, and find housing. The VISTAs developed an online resource manual for volunteers to use in assisting clients and continue to expand the volunteer program to include outreach to homeless veterans.

AmeriCorps National Civilian Community Corps

AmeriCorps National Civilian Community Corps (NCCC) is a residential, team-based program that provides opportunities for young Americans between the ages of 18 and 24 to address pressing national and community needs in all 50 states through 10 months of full-time, intensive national service. Since 2000, more than 14,000 AmeriCorps NCCC members from across the country have served more than 4.9 million hours on 2,027 disaster service projects. The service, training, and certification provided by AmeriCorps NCCC increase employment skills and leadership opportunities for young adults – particularly those from disadvantaged circumstances.

AmeriCorps NCCC provides rigorous training in skills such as first aid, CPR, firefighting, case management and asset mapping, and volunteer coordination, which prepare its members to serve as lead CNCS disaster responders and as force multipliers who can effectively coordinate and manage episodic volunteers. In addition to disaster preparation, mitigation, response, and recovery, AmeriCorps NCCC members serve at the request of local, state, and regional organizations in the areas of infrastructure improvement, environmental stewardship and conservation, urban and rural development, and energy conservation.

In FY 2012, CNCS estimates that NCCC enrolled 1000 members and recruited or managed an additional 44,000 volunteers in efforts to improve communities throughout the country. These volunteers engaged in important service activities that included providing assistance to nearly 40,000 elderly citizens, and managing and helping to mitigate fires on more than 23,600 acres of land. In addition to these activities, NCCC continued to be at the forefront of the nation's efforts to respond to natural disasters.

In FY 2012, 12 percent of AmeriCorps NCCC project hours were devoted to disaster services nationwide, providing support to displaced and needy individuals, families, and communities. NCCC completed its commitment to the Gulf Coast Recovery in FY 2010, which has steadily resulted in an overall decrease in the total percentage of disaster recovery projects from an organizational high of over 50 percent.

Some of NCCC's major disaster deployments in FY 2012 include participating in response and recovery efforts in 45 states, including continued recovery efforts in Joplin, Missouri; Tuscaloosa, Alabama; and throughout the mid-Atlantic and South following Hurricane Irene and Isaac. In addition, NCCC members provided support following the wildfires in Colorado. The program supported disaster response efforts in partnership with the Federal Emergency Management Agency (FEMA), the American Red Cross, State Service Commissions, and local municipalities throughout the U.S. and its territories. In 2012, NCCC members assisted more than 28,000 people affected by disasters.

Strategic Goals — AmeriCorps NCCC		
1 - Increase impact on communities	2 - Enhance volunteer experience	3 - Maximize value to grantees, partners, and participants
Enacted FY 2012 Budget		
\$31.9 million		



FEMA Corps 2012 Inaugural Class, Vinton, Iowa

State Service Commissions

Since the inception of CNCS in 1993, Congress envisioned AmeriCorps and national service as a joint state-federal undertaking. To carry out this partnership, Congress created a unique role and responsibility for State Service Commissions on service and volunteering. More than a thousand private citizens serve as governor-appointed commissioners and direct the states' national and community service efforts. These State Service Commissions serve as invaluable partners to CNCS, identifying local needs and directing federal and state resources to address them.

Senior Corps RSVP

The RSVP engages the skills, talents, and interests of almost 300,000 volunteers aged 55 and older to meet a wide range of community needs. Volunteers serve in community organizations to help them deliver critical services and fulfill their missions. RSVP is a flexible volunteer service model, with no set service schedules or compensation for the volunteers when on assignment, with the exception of insurance coverage and mileage reimbursement.

RSVP grants are provided to eligible sponsoring organizations, including nonprofit organizations and state, local, and tribal governments. RSVP has the largest rural footprint of any CNCS program, and often serves as an important source of disaster services in rural communities. The required non-federal share is a minimum 10 percent of the total grant in year one, 20 percent in year two, and 30 percent in year three and all subsequent years. Grants are awarded for a period of up to three years.

In FY 2012, RSVP volunteers delivered an estimated 62 million hours of service in their communities. Moreover, CNCS estimates that across a network of 699 grants awarded to sponsoring organizations, a total of 296,380 RSVP volunteers served in more than 38,000 community organizations nationwide to deliver services. Working through such networks as Area Agencies on Aging, Volunteer Centers, United Way, social services agencies, and many others, RSVP volunteers:

- Mentored an estimated 16,000 children;
- Provided independent living services to an estimated 676,000 adults; and
- Engaged an estimated 400,000 volunteers to address community needs such as delivering meals to homebound seniors, conducting safety patrols, tutoring children, and assisting with food banks.



Senior Corps volunteers serve as a neighborhood patrol for the Grand Rapids Police force.

Strategic Goals — RSVP		
1 - Increase impact on communities	2 - Enhance volunteer experience	3 - Maximize value to grantees, partners, and participants
Enacted FY 2012 Budget		
\$50.2 million		

In FY 2012, states and local communities contributed more than \$36.7 million in non-federal funds to support RSVP projects. This level is 42 percent of the total cost, and well above the required 30 percent non-federal share required by the program.

Some examples of RSVP volunteers meeting high priority needs include:

- **Disaster Services** – Throughout FY 2012, RSVP volunteers joined forces with other national service members and volunteers around the nation to assist in the aftermath of natural disasters in responding to the wildfires in Ft. Collins, Colo., and Hurricane Isaac in Mississippi. These activities served to minimize the loss of life and property and support the economic recovery in communities affected by disasters.
- **Helping Veterans** – The Olympic Community Action Council in Port Townsend, Wash. and the Coastal Community Action Council in Aberdeen/Grays Harbor, Wash. created two new programs in 2011 that support economic opportunities for Rural Veterans. This was expanded to RSVP of Yakima County in 2012.

- Working with the U.S. Veterans Employment and Training Service at the Department of Labor (DOL), these RSVP projects initiated new programming that was designed to reach out to unemployed veterans in the rural Olympic Peninsula and Pacific coast of Washington State. The teams of volunteers visit with veterans, check on their career developments, and if needed, alert them to additional support available from DOL, Veterans Affairs (VA), and other government and non-government organizations.

This is an example of how RSVP was able to mobilize local human capital to empower a community to access resources and further administration priorities. Senior Corps is replicating this program in Washington and other states such as Montana.

Four RSVP projects are working with the Montana State Service Commission and the Montana Department of Labor & Industry to start a Rural Veteran Outreach Pilot Project in Montana. The Montana projects are part of a national initiative to allow the Department of Labor and states to greatly improve outreach to rural veterans and provide them with better access to employment programs, services, and information to help rural veterans attain meaningful careers.

- An initial training event took place at the Montana State Capitol on November 9, 2011, conducted by the Montana Department of Labor & Industry in collaboration with the Governor's Office of Community Service and the CNCS Montana Field Office. Several AmeriCorps State and VISTA members also working on projects with a veteran focus attended as well. The pilot started on January 16, 2012, when RSVP volunteers began the first round of calling veterans.



A Senior Corps RSVP volunteer provides disaster services training.

- RSVP in Broward County Florida began a Veterans Mentoring Veterans program. This is the lead activity for the local American Red Cross' military reintegration intervention. The RSVP volunteers assist reintegration through job skills coaching.

Senior Companion Program (SCP)

The Senior Companion Program (SCP) provides a cost-effective option in the continuum of care available to the nation's aging population. Each year, Senior Companions serve thousands of older and frail adults by providing companionship, transportation, light chores, and respite to assist seniors to remain in their own homes.

Senior Companions help aging Americans and veterans to maintain their dignity and quality of life, while enriching their own lives through their national service experience. Senior Companions' traditional clients are frail seniors, particularly women over the age of 85 who live alone. Other clients include individuals with disabilities and their caregivers.

Research conducted by the program in 2004 – 2005 suggests that Senior Companion clients had significant, long-term mental health benefits from SCP services, including reduced rates of depression. Companionship provides benefits to both the Senior Corps volunteer and companion, as social ties and perceived social support are linked with long-term health outcomes. Senior Companions also serve 7,860 caregivers. Caregiving can have a negative impact on the caregiving family's economic opportunities, and caregiver burnout can be an important contributor to nursing home use. The Salt Lake County Aging Services in Utah also serve home-bound veterans in a VA Home-Based Primary Care program by providing caregiver respite.

Senior Companions serve between 15 and 40 hours per week and income-eligible volunteers, who are at 200 percent of the federal poverty level, receive a modest monetary hourly stipend of \$2.65 per hour to help offset the cost of volunteering. Volunteers also receive service-related insurance, mileage reimbursement, and other non-monetary incentives. SCP grants are awarded to eligible sponsoring organizations, including nonprofit organizations and state, local, and tribal governments. Grantees are required to contribute at least 10 percent of the total budget from non-federal sources, and an amount equal to 80 percent of the federal budget must be expended on direct volunteer costs. Grants are awarded for a period of up to three years.

Strategic Goals — Senior Companion Program	
1 - Increase impact on communities	2 - Enhance volunteer experience
Enacted FY 2012 Budget	
\$46.7 million	

CNCS estimates that in FY 2012, 13,600 SCP volunteers, serving through 198 grants awarded to sponsoring organizations, delivered 12.2 million hours of service to approximately 60,940 frail, older adults and others with physical or other limitations. They transport clients to medical appointments; help shop for food and basic necessities; provide companionship to offset isolation; and offer respite to 7,900 family members and informal caregivers.

In 2012, states and local communities contributed \$16 million in non-federal funds to support Senior Companions, well above the required 10 percent non-federal share of \$5.1 million.

CNCS estimates that in FY 2012, 13,600 SCP volunteers, serving through 198 grants awarded to sponsoring organizations, delivered 12.2 million hours of service to approximately 60,940 frail, older adults, and others with physical or other limitations.

Foster Grandparent Program (FGP)

The Foster Grandparent Program (FGP) is an intergenerational program first established in 1965. It connects volunteers aged 55 and over with opportunities to provide one-on-one mentoring, nurturing, and support to children with special needs, exceptional needs, or who are at an academic, social, or financial disadvantage. Foster Grandparents help young children with special or exceptional needs to gain skills and confidence to succeed in school, tutor children in literacy, and assist children in the child welfare system.

A Foster Grandparent can serve as a caring and consistent adult presence in children's lives, which can impact their future economic opportunities. In turn, Foster Grandparents derive significant

emotional and health benefits from their service, which can improve their quality of life and provide them with a strong sense of purpose. FGP projects currently support the school turnaround pilots in both Orlando, Fla. and the state of Minnesota in a CNCS and U.S. Department of Education interagency effort. Foster Grandparents also serve military connected children with deployed parents in early child development programs. In Hillsborough, Fla., the FGP has started a relationship with six schools that surround MacDill Air Force Base to mentor military connected children.

Foster Grandparents serve between 15 and 40 hours per week and income-eligible volunteers receive a modest hourly stipend of \$2.65 per hour. Volunteers also receive service-related insurance, mileage reimbursement, and other non-monetary incentives. Grants are provided to eligible sponsoring organizations, including nonprofit organizations and state, local, and tribal governments. Grantees contribute at least 10 percent of the total budget in non-federal funds and an amount equal to 80 percent of the federal budget must be expended on direct volunteer costs. Grants are awarded for a period of up to three years.

Strategic Goals — Foster Grandparent Program	
1 - Increase impact on communities	2 - Enhance volunteer experience
Enacted FY 2012 Budget	
\$110.6 million	

CNCS estimates that in FY 2012, 27,900 FGP volunteers delivered 24 million hours of service in their communities. Volunteers served a total of 232,000 children, including mentoring more than 130,000 children. Of those mentioned 7,000 were children of incarcerated parents and more than 2,250 were children of military families.

In 2012, states and local communities contributed an estimated \$26 million in non-federal funds to support Foster Grandparents, well above the required 10 percent non-federal share.

Innovation, Demonstration, and Assistance

CNCS innovation, demonstration, and assistance programs support and encourage new forms of national service and civic participation and improve existing national service programs. The activities generally promote national service and volunteering throughout the country; identify and incubate innovative program models and approaches;

and disseminate effective practices found to improve the reach and effectiveness of programs and projects.

Strategic Goals — Innovation, Demonstration, and Assistance	
2 - Enhance volunteer experience	3 - Maximize value to grantees, partners, and participants
Enacted FY 2012 Budget	
\$4.5 million	

Innovation, demonstration, and assistance significantly contribute to CNCS Strategic Goal 2, strengthening national service so that participants find satisfaction, meaning, and opportunity in their service. CNCS strives to ensure that members and volunteers across its programs leverage their experiences in ways that benefit them as individuals and the communities in which they remain engaged. Innovation, demonstration, and assistance activities also contribute to CNCS Strategic Goal 3, which seeks to maximize the value we add to grantees, partners, and participants through programming, convening meetings, and producing materials to help improve volunteer programs. Finally, funded within innovation activities is the agency's main program for identifying and scaling promising community solutions, the Social Innovation Fund.

Social Innovation Fund (SIF)

The Social Innovation Fund (SIF) is CNCS' most significant initiative undertaken in the area of innovation and scaling promising programs.

The primary objective of the SIF is to improve the lives of people in low-income communities by mobilizing public and private resources to grow innovative nonprofit organizations that have evidence of compelling impact in three priority areas of need: Economic Opportunity, Youth Development, and Healthy Futures.

The SIF uses an open and highly competitive grant program that awards federal funds to selected "intermediaries." These are organizations with strong grantmaking expertise and track records of success that have developed compelling programs for achieving clearly-defined objectives for social impact in one or more of the designated issue areas. The grantees match the funds 1:1 from private or other non-federal sources then select, fund, and support the growth of promising nonprofits ("subgrantees") that are positioned to deliver the intended program impact.

Strategic Goals — Social Innovation Fund
3 - Maximize value to grantees, partners, and participants
Enacted FY 2012 Budget
\$44.8 million

Fiscal Year 2012 represented the second full year of operations for the Social Innovation Fund, during which the primary focus was to continue building a solid operational foundation and strengthen the application of evidence in critical program phases. All grantees first awarded in FY 2011 have completed their initial evaluation plans, and planning has



Senior Corps RSVP volunteers serve as mentors for 80,000 children across the country.

begun for the SIF National Evaluation — a comprehensive, systematic effort that will focus on assessing the impacts of the entire SIF portfolio.

In FY 2012, CNCS invested \$33.9 million in grants to existing grantees to continue current programs through an increasingly rigorous process in which all applicants were assessed against strict performance criteria, with grant awards for existing grantees adjusted accordingly. CNCS also awarded \$8 million to four new grantees that will receive \$2 million over two years, and are eligible for continued funding for a total of up to five years.

These four grantees, like the 16 organizations selected in previous competitions, are experienced grantmakers with strong track records of success who have proposed compelling, innovative programs to tackle some of our country's biggest challenges in areas of high need.

A full list of all SIF intermediaries and the current 197 community-based, service-providing nonprofit organizations (subgrantees) can be found at: <http://www.nationalservice.gov/about/programs/innovation.asp>

Call to Service

The President's Call to Service seeks to engage all Americans in making service a way of life. CNCS builds large-scale efforts that bring attention to service and volunteering in order to increase the number of people making an impact in their communities. Through Call to Service activities such as The Martin Luther King, Jr. Day of Service and the 9/11 Day of Service and Remembrance, CNCS also expands partnerships and reaches

Strategic Goals — Call to Service
2 - Enhance volunteer experience
Enacted FY 2012 Budget
\$4.0 million

new audiences, broadening the pool of potential volunteers and service participants and recognizing their service. The Call to Service also provides a platform for enhancing and supporting CNCS' highest priorities.

The Martin Luther King, Jr. Day of Service – In FY 2012, MLK Day programs engaged over 600,000 individuals in service in all 50 states. Campus Compact supported more than 14,000 volunteers across 65 campuses in 26 states. Cesar Chavez Foundation's 1,250 volunteers completed 6,250 hours of service in the Southwest and the West. Hope Worldwide, with its partner, American Red Cross, mobilized 5,600

volunteers to serve more than 21,000 hours, educating Americans about home safety and distributing fire extinguishers and smoke detectors. Through a partnership with Scholastic, CNCS created and distributed the MLK Day Curriculum focusing on Dr. King's legacy of service. The curriculum was downloaded 5,100 times, videos were viewed 6,400 times, and the curriculum landing page received more than 10,600 page views.



9/11 Day of Service and Remembrance - Approximately 180,000 volunteers educated over 300,000 citizens on disaster preparedness, developed emergency plans, promoted fire safety, and built affordable housing for veterans and military families.

The White House Council for Community Solutions – The Council developed and released the Community Collaborative Toolbox, the



This "I Will" sculpture has been placed in New York City's Times Square to encourage people to make personal pledges to perform good deeds and service on the September 11th National Day of Service and Remembrance.

Employer Tool Kit: Connecting Youth to Employment, The Economic Value of Opportunity Youth, and White House Council for Community Solutions Final Report: Community Solutions for Opportunity. The Council worked with the White House Department of Social Innovation to support Summer Jobs+ in January 2012 and the White House on Summit Community Solutions for Disconnected Youth in June 2012. The Council's outreach efforts engaged over 250 nonprofit, business, and government stakeholders as a means to gather and disseminate data and final recommendations on disconnected youth.

A number of CNCS activities are designed to recognize outstanding organizations and individuals engaged in service. Working with the Department of Education, the President’s Higher Education Community Service Honor Roll recognized 642 schools that supported one million students who engaged in 105 million hours of exemplary community service. At Carson Newman College in Jefferson City, Tenn., 75 percent of the students are engaged in service, averaging at least 10 hours a week in targeting juvenile delinquency. At Miami University in Ohio, students tutor and mentor 600 children in early childhood programs. Volunteer recognition events during **Senior Corps Week** and **AmeriCorps Week** honored the powerful impact of seniors and AmeriCorps members and encouraged more Americans to serve.

In January, CNCS sponsored National Mentoring Month. The Mentoring Summit, attended by 500 key stakeholders, raised awareness about the thousands of programs nationwide that provide mentors for young people. The third annual Let’s Read. Let’s Move initiative promoted physical activity and prevention of summer reading loss in children. This initiative is built on partnerships with the Departments of Education, Agriculture, and Health and Human Services, reaching constituencies of nonprofits and citizens to increase collaboration and impact. Partnering with several nonprofits, the Children’s Museum of Atlanta hosted a reading event for over 200 children. CNCS social media drew attention to at least a dozen national nonprofits seeking to expand impact and partnerships in physical activity and reading loss prevention.

Evaluation

Research and evaluation at CNCS is designed to develop knowledge to support the agency’s mission, programs, and strategic goals through rigorous program evaluation and research initiatives. Strengthening the evidence base for national service is a priority outlined in the agency’s Strategic Plan.

Research and evaluation supports two objectives of Goal 3, which is to maximize the value we add to grantees, partners, and participants. These objectives are to: 1) build on the knowledge base of best practices and support efforts to measure results; and 2) improve organizational capacity to conduct rigorous evaluations of CNCS’ programs to measure outcomes and/or impact. CNCS supports a research-to-practice model, whereby research results are used to inform program and policy decisions, thereby integrating best practices into program operations.



AmeriCorps NCCC members rebuild a house in the wake of Hurricane Katrina.

In alignment with the agency’s Strategic Plan and its priority areas, CNCS has developed a plan to provide high-quality evaluations of some of its most critical initiatives. The research and evaluation initiatives cover the six agency priorities:

- Disaster Services
- Economic Opportunity
- Education
- Environmental Stewardship
- Healthy Futures
- Veterans and Military Families

Our research is also designed to answer broad questions, including:

- Which national service interventions offer evidence for effectiveness in the six focus areas?
- What are the trends in volunteering and program participation?
- How can CNCS become more effective?
- What is the cost effectiveness (value for the dollar) of national service?

Strategic Goals — Evaluation
3 - Maximize value to grantees, partners, and participants
Enacted FY 2012 Budget
\$3.0 million

Below are major research initiatives undertaken by CNCS in FY 2012.

Assessment of the Involvement of Veterans and Military Families in National Service – CNCS has almost completed a study on the involvement of veterans and military families in national service. The study is designed to identify effective models and strategies that CNCS programs have developed for engaging and serving this important and underserved group. The findings will be delivered in the Congressional report on the involvement of veterans and military families in national service required by the SAA.

Assessment of National Performance Measurement Pilot – This project was designed to assess and improve the implementation of national performance measures, which are required by the SAA. In 2009, CNCS launched a three-year pilot initiative to develop and implement standard national measures for each of the six agency priorities. Since 2010, the national measures have been piloted as optional measures for new and re-competing AmeriCorps State and National grant applicants. Initial performance measurement results were reported by the 2010 cohort of AmeriCorps grantees in December 2011.

CNCS is now in the process of collecting and analyzing data from AmeriCorps grantees that received new or re-competed grant awards in 2010 and 2011. Both those grantees that did and did not participate in the pilot will be included in the assessment. The findings from the assessment will be used to enhance program decision-making and improve service outcomes.

Training and Technical Assistance

Through Subtitle J, the National and Community Service Act authorizes CNCS to provide training and technical assistance (TTA) to improve the programmatic quality of current and potential national service programs and projects. CNCS’ current training and technical assistance strategy focuses on two outcomes: 1) implementation of the agency’s performance measures; and 2) grantee compliance with statutory and

Strategic Goals — Training and Technical Assistance
3 - Maximize value to grantees, partners, and participants
Enacted FY 2012 Budget
\$2.0 million

regulatory requirements. The rationale for this focus is a unique set of knowledge and skills specific to CNCS programs and projects in these critical areas.

During FY 2012, CNCS developed a competency framework and identified outcomes to track knowledge gains for training and technical assistance activities. Examples of recent knowledge gains include:

- 92 percent of participants in the 2012 Financial and Grants Management Institute (FGMI) improved their knowledge of the topics covered as measured by pre- and post-tests. The FGMI is a three-day training for new program/project directors or those identified through monitoring as needing to attend, to increase capacity to manage the account for CNCS requirements and funding. While CNCS has conducted this annual Institute as a part of our core curriculum on compliance for several years, data collection on pre- and post-knowledge gains is a recent accomplishment. Based on evidence of knowledge gains, along with Program Officer feedback, the FGMI has demonstrated value and impact.
- Four online modules of the core curriculum for performance measurement have imbedded pre- and post-testing of core competency knowledge gains by learners.

Measurement of knowledge gains for both the FGMI and the performance measurement modules provide the foundation for a future certification program in these areas.

In addition to the areas highlighted above, CNCS expanded its online infrastructure and provided program support grants to State Service Commissions for delivery of TTA at the state and local level.

Disability Inclusion Grants

Pursuant to the NCSA, CNCS seeks to expand opportunities that lead to the meaningful and successful inclusion of people with disabilities in national service. Disability inclusion grants support all five objectives of Goal 2 in the CNCS Strategic Plan. The grants mitigate the real and perceived barriers to full inclusion of people with disabilities in national service programs. In addition, these grants help participants to:

- Engage in a high-quality service experience.
- Find meaning in their service experience that leads to continued

service in their communities.

- Discover professional, educational, or civic opportunities through their service experience.
- Gain health benefits associated with service, particularly for veterans and participants over the age of 55.

Disability Inclusion Grants also have the potential to address CNCS' objectives in Strategic Goals 1 and 3. For example, national service can play an important role in addressing the persistent, chronic unemployment of Americans with disabilities as it provides opportunities (often team-based) in highly structured, supervised environments.

In FY 2012, to support the goal of inclusion of people with disabilities in service, CNCS:

- Partnered with disability organizations and agencies at national, state, and local levels to leverage expertise and networks around recruitment. For example, through a grant to the University of Massachusetts, CNCS worked with Vocational Rehabilitation counselors across the country to identify barriers to participation for people with disabilities and solicit participation in recruitment. Through disability grants to state service commissions, 35 states maintained State Inclusion Teams (formal partnerships with a variety of disability support organizations).
- Provided training and technical assistance, resources, and materials on evidence-based practices to provide knowledge and skills for program and project managers to successfully engage people with disabilities. Outputs of activities include 130 trainings reaching 3,283 participants, 217 requests for technical assistance, monthly webinars reaching 1,243 persons, and a National Symposium on Service and Disability Inclusion with 300 attendees. In addition, CNCS provided a fully accessible web tech center, www.serviceandinclusion.org.
- Awarded grants to state service commissions to provide reasonable accommodations. In 2011, 30 state commissions reported fulfilling 295 requests for reasonable accommodation (2012 data available end of December 2012).



An AmeriCorps VISTA member serves in a local school.

- Assessed service activities that lead to post-service employment for people with disabilities and the inclusion of veterans in service. For example, CNCS' technical assistance provider conducted 78 interviews with disabled service members to isolate practices that lead to retention and successful post-service outcomes with 25 member stories uploaded to the website as examples of effective practice.

CNCS' objectives are to increase awareness and help ensure that individuals with disabilities who want to serve are afforded opportunities. CNCS has faced some challenges in assessing service efforts undertaken by individuals with disabilities who may choose not to identify their disability status.

CNCS recently engaged the national service field and the wider public through a public comment process involving over 400 people on how best to approach disability inclusion programming. Activities proposed below reflect the priorities expressed from these stakeholders, as well as ideas derived from conversations with providers and other federal agencies who successfully serve disabled populations.

Management Performance

Human Capital

CNCS' most important resource is its employees. As such, the agency actively encourages employee feedback and assesses it to determine the most effective and efficient workforce strategies. A critical indicator of CNCS' effectiveness in meeting its employee needs is the agency's employee job satisfaction survey.

Employee Satisfaction Trends (2008 – 2012)

Performance Objective and Measure	FY08 Actual	FY09 Target	FY10 Actual	FY11 Actual	FY12 Target	FY12 Actual
Percent of employees who report overall satisfaction with their jobs	68%	68%	73%	69%	72%	65%

As indicated in the table above, employee satisfaction declined by four percentage points between FY 2011 and FY 2012. In addition, CNCS fell seven percentage points short of an ambitious FY 2012 target of 72%. Although the root causes of this trend are not clear, CNCS will continue to assess possible contributing factors, closely monitor job satisfaction trends, and make strategic adjustments as appropriate.

Based in part on past employee survey results and feedback indicating employees' desires to gain more skills and advance their careers, CNCS implemented a targeted leadership development program in FY 2011 and continued that investment into FY 2012. This is critical in ensuring staff are prepared for opportunities to assume more responsibility in helping the agency meet its mission.

Workforce Development and Training

In FY 2012, CNCS began the second year of its Leadership Institute, which consists of two programs. Both seek individuals who have shown strong professional potential through the successful completion of high level duties or special assignments.

The first program, Leadership Crossroads, is based on the highly successful Department of Interior Pathways to Leadership program, adapted to meet the interests of CNCS. Participants are midcareer individuals with high potential who have, through a competitive national application process, demonstrated the potential to take on a significant leadership role in the management of CNCS' resources, projects, and/or people.

Leadership Crossroads received more than 40 applications in FY 2012. From these, 20 candidates (50 percent) were selected. Based on feedback from these participants, and those who graduated in FY 2011, CNCS will continue to refine the program to ensure that it helps the agency grow its leadership capacity in an efficient and effective way.

The second program, **The Partnership for Public Service Annenberg Leadership Institute**, is an innovation and leadership laboratory where rising federal leaders learn the best management practices and apply them to pressing national issues. This program is targeted toward mid-level to senior CNCS employees, of whom 20 were selected in FY 2012.

Office of Accountability and Oversight (OAO)

In FY 2012, CNCS stood up the Office of Accountability and Oversight to strengthen its strategic risk management approach. The first phase of standing up this new office included merging independent offices focused on grantee monitoring and agency internal controls activities in the new unit. This effort aligns with the agency's priorities and strategic vision. Some current examples of priority activities include developing a new Performance Measures Data Quality Review process – a standard tool for reviewing data quality elements with award recipients – and updating the agency's monitoring protocols to ensure that they promote compliance and effectiveness, while keeping grantee burden to a minimum. The OAO is also developing an action plan for accountability. This will establish core principles and a vision for the agency's accountability efforts moving forward.

Information Technology (IT)

In FY 2012, in addition to operating and maintaining core IT services, CNCS carried out a number of initiatives aimed at advancing the goals and objectives of CNCS' IT Strategic Plan. Below highlights these critical initiatives organized by the associated IT strategic goals:

Stabilize CNCS' IT Infrastructure

CNCS optimized IT infrastructure operations and reduced the risk of a data breach that would expose personally identifiable information (PII) entrusted to the agency by members, grantees, and other stakeholders as a result of agency systems. Key accomplishments included:

- Upgrading applications to a more secure and robust version of the Oracle database management platform, initiating the migration to a common web content management platform, and modifying infrastructure to enable an HSPD-12 compliant physical access solution.
- Implementing software changes to resolve security vulnerabilities across our core Grants Management Systems and new automated test scripts to improve system reliability and reduce the risk of introducing errors as system changes are implemented.
- Updating CNCS information assurance policies and procedures as well as implementing new processes and tools that allow the Office of Information Technology (OIT) to identify and mitigate security vulnerabilities in new code prior to release and to continuously monitor CNCS networks and control access.

Create a More Agile IT response to CNCS' Changing Needs

CNCS refined plans to Modernize IT to better align and be more responsive to business needs and implemented enhancements to core grants management applications to meet strategic priorities. Key accomplishments included:

- Refining CNCS' IT Modernization Strategic Plan and road map to align with business priorities and thereby effectively guide future IT investment decisions.
- Completing Phase 1 and initiating Phase 2 of a software module in eSPAN/eGrants to capture, track, and report grant performance information to support evidence based decision making, and completing the implementation of new functionality allowing users to upload attachments and make adjustments to grants all within the system.

CNCS refined plans to Modernize IT to better align and be more responsive to business needs and implemented enhancements to core grants management applications to meet strategic priorities.

Improve Productivity and Service across CNCS Using Technology

CNCS implemented a number of initiatives aimed at improving productivity and service across CNCS. Key accomplishments included:

- Expanding the data warehouse to include more data from across the organization and tools to make it easier to access and analyze, harnessing the power of CNCS' data resources.
- Establishing a computer matching agreement with the Social Security Administration to automate validation of social security numbers and citizenship status on member applications.
- Upgrading Office productivity software and introducing new capabilities to support mobile computing.

Follow IT Best Practices and Strive for Continuous Improvement

CNCS continued to apply best and innovative IT management practices to improve IT service delivery across the organization, including strengthening the agency's IT governance and Capital Planning and Investment control processes.

In addition to the highlights above, CNCS is also in the process of collecting and analyzing IT data related to Goal 4 of the agency's Strategic Plan. Final measure data will be available in the agency's FY 2013 Annual Performance Report.

Financial Management Metrics

Since FY 2005, CNCS has measured its performance against a set of nine metrics known at that time as the U.S. CFO Council Government-wide Financial Management Metrics. For the majority of FY 2005, CNCS achieved “green” on only one out of nine (11 percent) of these metrics. Since then CNCS made significant strides in improving financial performance. For FY 2012, the yearly average of “green” scores was 83 percent. Performance in each of those individual metrics during FY 2012 is summarized as follows:

Financial Management Metrics

Strategic Goal: *Ensure fiscal accountability and promote efficiencies and transparency in financial operations*

Performance Measure	FY12 Target	FY12 Actual
Fund Balance with Treasury (Metric 1)	100%	100%
Suspense Account Clearance and Accounts Receivable Delinquency (Metrics 2–3)	100%	100%
Percent of Vendor Payments by Electronic Funds Transfer (EFT) (Metric 4)	100%	100%
Percent of Vendor Payments Made on Time (Metric 5)	100%	100%
Late Payment Penalties Paid as a Percent of Total Vendor Payments (Metric 6)	100%	100%
Individually Billed Account Travel Card Timeliness (Metric 7)	100%	92%
Centrally Billed Travel Timeliness (Metric 8)	100%	42%
Purchase Card Timeliness (Metric 9)	100%	17%

CNCS High Priority Measures (Strategic Plan 2011–2015)

Strategic Goal: *Ensure fiscal accountability and promote efficiencies and transparency in financial operations*

Performance Measure	FY12 Target	FY12 Actual
Financial Statements:		
Prepare and publish audited financial statements covering CNCS operations within 45 days of fiscal years' end and receive a clean audit opinion on annual financial statements	On time; Clean opinion	On time; Clean opinion
No material internal control weaknesses identified in the annual financial statement audit	0	1
No significant deficiencies in internal control weaknesses identified in the annual financial statement	0	0
No compliance issues identified in the annual financial statement audit	0	0
Grantmaking		
Award all grants before the budget period start date	85%	95%
Post all grant competition award data to the Internet within 90 days of completion of the award process ¹	85%	TBD
Complete all grant-monitoring activities identified in the annual monitoring plan and follow up with grantees where necessary	85%	88%
Close all grants within 180 days of the performance period end date	60%	61%

1. Actuals for this measure will be available in December 2012.

The measures above illustrate that CNCS continued to award and monitor grants effectively in FY 2012. In addition, CNCS matched or improved its actual performance on each of these measures between FY 2011 and FY 2012.

Of particular note is the 22 percentage point increase in timely grant closures between FY 2011 and FY 2012, which likely has two

main contributing factors. First, the FY 2011 performance level was significantly lower than CNCS anticipated due to operational challenges, creating an unexpectedly low base for year over year comparison. Second, CNCS adopted successful process improvements in FY 2012, which included re-sequencing grantmaking tasks.

Internal Controls, Audit Results, and Management Assurances

CNCS is subject to the reporting requirements of the Government Corporation Control Act (31 U.S.C. 9101 et. seq.). Under these requirements, CNCS provides a statement on its internal accounting and administrative controls consistent with the requirements of the amendments made by the Federal Managers' Financial Act of 1982 (FMFIA), (31 USC 3512, et seq.) and implemented by Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Internal Control. The statement reflects CNCS' assessment of whether there is reasonable assurance that internal controls are achieving the intended results, reports any material weaknesses in internal controls present within the agency, and describes management's current plans to address and correct any deficiencies.

Internal Control Program

During FY 2012, CNCS continued to strengthen its internal control assessment, testing, and assurance program, which is modeled on OMB Circular A-123. These efforts included a modification to the internal control organizational structure intended to broaden its overall impact while focusing the Senior Assessment Team (SAT) more specifically on OMB Circular A-123, Appendix A, Controls over Financial Reporting. The modified structure includes the establishment of the OAO and the reconfiguration of the SAT to have as its members and supporting technical resource personnel with greater knowledge of processes that contribute to the reliability of CNCS financial reporting. As modifications were made, assessment and testing of internal controls initiated during previous fiscal years was continued.

CNCS' internal control program is led by the OAO Director with significant support from the SAT. Senior managers from the offices of Inspector General (OIG), General Counsel (OGC), Information Technology (OIT), Human Capital (OHC), and the Office of Accountability and Oversight (OAO) also attend the meetings to provide technical support and agency-wide perspective to the SAT's discussions and actions. The CNCS risk-based assessment approach gives priority for internal control reviews, including assessment and testing to specific organizational and functional areas where significant risks are known to exist. For example, CNCS' Accounting, Field Financial Management, Grants Management, Human Capital, Procurement Services, Budget, and Information Technology offices are all considered high priority

when developing the annual internal control testing plan. CNCS also continued to improve its grantees' oversight and monitoring program using a risk-based approach.

Basis of FY 2012 Assessment

The CNCS internal control assessment is based on internal control reviews and other analyses of CNCS' financial processes, program operations, and grantee monitoring including the following:

- Risk-based internal control review assessments and testing of key controls including:
 1. Grants Management controls over special condition and Federal Financial Report reviews
 2. Financial reporting controls over grants payable and advances to others
 3. Field Liaison controls over Program Progress Reports
 4. Human Capital controls over official personnel folder security, proper recording of holiday pay and follow-up related to master supervisor timesheet certifications
 5. National Service Trust controls over payments to educational and financial institutions
 6. Information Technology controls over user access accounts, timely deployment of new software releases, and accurate maintenance of hardware and software inventory
 7. Field Financial Management controls over payment vouchers, credit card payments, travel vouchers, timeliness of grant awards, and reviews of Federal Financial reports.
 8. Grants risk assessment accuracy and reliability for monitoring priorities
 9. Grants monitoring plan execution for completeness, timeliness, and effectiveness
- In-Progress Reviews (IPR) at NCCC campuses – the IPR is a focused management control assessment that provides a self-assessment by campus staff, followed by an independent review by headquarters

staff. FY 2012 is the third year that all five campuses received an IPR. Review items include project management, Corps member management, operating inventories, and fiscal controls. Following the on-site review, a written report is prepared and campus staff develops corrective action plans in response to IPR recommendations.

- OIG reports, including the annual financial statement audit and recent audits of portions of CNCS' operations.
- Continued development of the Key Control Database to document the most significant risks and mitigating controls at CNCS in one location.

In addition, management's knowledge of CNCS' day-to-day operations helps the agency to ensure that adequate controls are in place for all of the agency's operations. These controls include announcement of funds available for grants, receipt and evaluation of applications for financial assistance, and negotiation and award of grants, contracts, and cooperative agreements. FY 2012 risk assessment testing priority decisions were influenced by the dollar volume of grant programs and findings associated with the FY 2011 financial statement audit.

In carrying out the internal control program, OAO considered the nature of each deficiency, the existence of compensating controls, the dollar value of transactions potentially affected by the deficiency, the level of risk, and the likelihood that an error may not be prevented or detected. Recommended corrective actions for the deficiencies were reviewed and CNCS' progress in implementing them was monitored during FY 2012 to assure that appropriate corrective actions are taken.

Annual Financial Audit Results

Fiscal year 2012 marks the 13th consecutive year CNCS has earned an unqualified opinion on its financial statements. The audit also found no instance of noncompliance with laws and regulations. These results reflect CNCS' commitment to sound financial management and the hard work by staff over the past year to continuously improve financial operations.

Security Assessment and Authorization

In accordance with federal law, OMB guidance and the NIST SP 800-37, Guide for Applying the Risk Management Framework to

Federal Information Systems, organizations are required to secure information and information systems within the federal government through the implementation of appropriate risk mitigation strategies. During FY 2012 CNCS enhanced the awareness of the security state of our information systems by prioritizing the monitoring frequencies of security controls deemed to have a significant impact on security (i.e., scanning eSPAN with a source code analyzer when changes are made to the code) and establishing assessment frequencies based on providing adequate security commensurate with the risk. These improvements support CNCS' risk management decisions and situational awareness.

Management Assurances

Statement of Assurance for Financial Management Systems, Operations, and Compliance with Laws and Regulations

CNCS is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of FMFIA. CNCS conducted its assessment of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123. Based on the results of its evaluation, CNCS provides reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2012, was operating effectively.

Statement of Assurance for Internal Control over Financial Reporting

The FY 2012 report on internal control reports a material weakness in financial reporting. Based on the results of its evaluation, CNCS provides reasonable assurance that its internal control over financial reporting as of September 30, 2012 was operating effectively and free of material weaknesses, except as noted in the following paragraph.

CNCS determined in reviewing the third quarter fiscal year 2012 grant accrual that an incorrect file was used to estimate the accrual. The internal controls failed to detect the error prior to submitting third quarter financial data. CNCS immediately corrected the file and supplemented review controls to prevent future occurrences.

Compliance with Financial Systems Requirements, Accounting Standards, and U.S. Standard General Ledger

The Federal Financial Management Improvement Act (FFMIA) requires federal agencies to implement and maintain financial management systems that are in substantial compliance with federal financial system requirements, federal accounting standards issued by the Federal Accounting Standards Advisory Board, and implementation of the Department of the Treasury Standard General Ledger (USSGL) at the transaction level. Pursuant with FFMIA, OMB issued Circular A-127, Financial Management Systems. Circular A-127 prescribes the policies and standards for agencies to follow in developing, operating, evaluating, and reporting on financial management systems.

CNCS utilizes Momentum Financials as its core financial system. Momentum Financials is a commercial off-the-shelf software application certified by the Office of Federal Financial Management as meeting the Circular A-127 financial system requirements. Activity is posted in Momentum Financials following the USSGL at the transaction level. Based on its review of central financial processes, CNCS determined that it complies substantially with the requirements of the FFMIA for FY 2012.

Certification of Trust Obligations

The National and Community Service Act of 1990 (NCSA), as amended by the Edward M. Kennedy Serve America Act (PL 111-13), establishes the specific criteria for estimating and recording obligations in the Trust. The NCSA also requires the Chief Executive Officer of CNCS to annually certify that CNCS is in compliance with the requirements of the NCSA with regard to the timing and recording of obligations within the Trust, and to obtain an independent audit of the accounts and records demonstrating the manner in which CNCS has recorded its Trust estimates (see Section 149 of Public Law 101-610, 42 USC 12606).

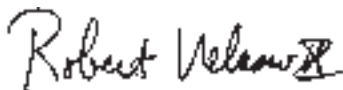
CNCS' OIG obtained the independent audit required by the NCSA for FY 2012. Based on CNCS' analysis and review of Trust activities and the results of OIG's audit, CNCS certifies that it complied with these requirements for FY 2012.



Wendy Spencer
Chief Executive Officer



David Rebich
Chief Financial Officer



Robert Velasco II
Chief Operating Officer

Analysis of Appropriations and Financial Condition

Understanding the Financial Statements

CNCS has a fiduciary and stewardship responsibility to efficiently and effectively manage its federal funds and to comply with federal guidance on financial management. As part of this responsibility, the agency prepares annual financial statements in conformity with generally accepted accounting principles (GAAP) for U.S. Federal government corporations and subjects them to an independent audit to ensure their integrity and reliability in assessing performance. For FY 2012 and 2011, CNCS' financial statements received an unqualified opinion. This opinion recognized that CNCS' financial statements are fairly presented, in all material respects in conformity with generally accepted accounting principles.

The consolidated financial statements beginning on page 35, report CNCS' financial position, results of operations, cash flows, and budgetary resources, as required by the Government Corporation Control Act (GCCA) and Executive Order 13331, National and Community Service Programs. As specified in GCCA, the principal financial statements of CNCS are the:

- Statement of Financial Position (balance sheet), which reports the status of CNCS assets, liabilities, and net position;
- Statement of Operations and Changes in Net Position (income statement), which reports CNCS' 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' financial position and results affected its cash (Fund Balance with Treasury), and breaks the analysis down according to operating, investing, and financing activities.

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

Composition of CNCS Assets

The Statement of Financial Position presents the total amounts available for use by CNCS (assets) against the amounts owed (liabilities) and amounts that comprise the difference (net position). Over 95 percent

of CNCS' total assets are comprised of Fund Balance with Treasury and Trust Investments and Related Receivables.

In FY 2012, total assets increased three percent over the balance at the end of FY 2011. The majority of the \$49.9 million increase occurred in the Fund Balance with Treasury account (FBWT) and Trust Investments and Related Receivables.

FBWT is funding available to CNCS to make expenditures for authorized expenses through the disbursement authority of the Department of the Treasury. The FBWT is increased through appropriations and collections and decreased by expenditures and rescissions. The increase in FY 2012 primarily results from advances collected to support new FEMA Corps related activity.

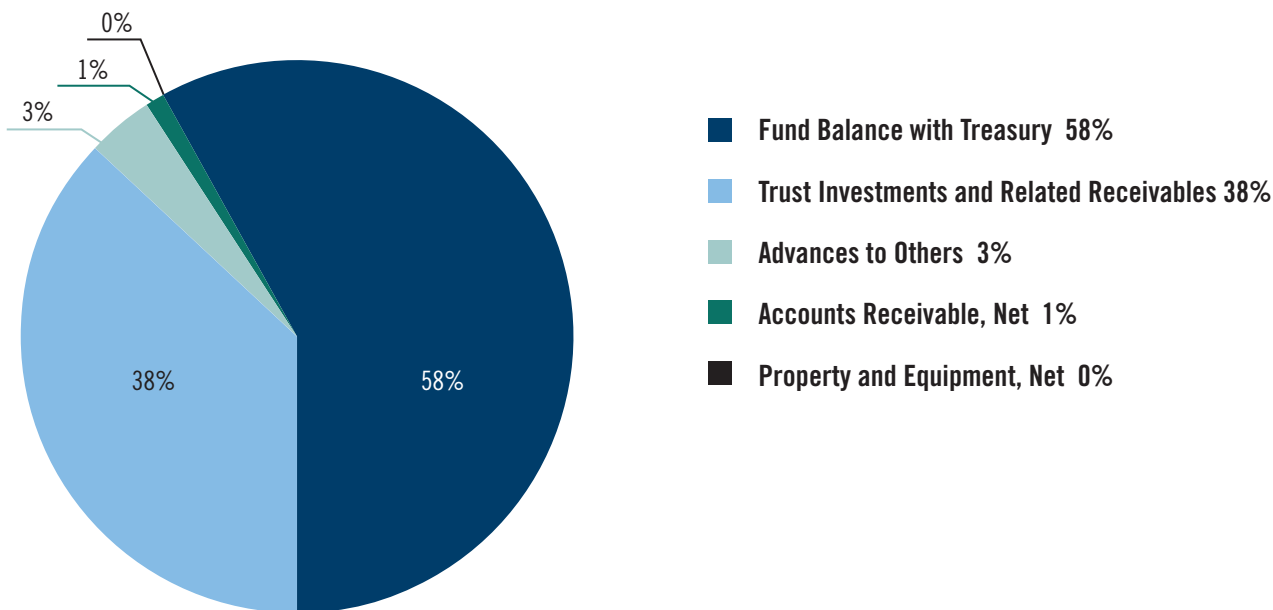
Trust Investments and Related Receivables are used to pay Segal AmeriCorps Education Awards for eligible participants who complete AmeriCorps service. Funding for the Trust comes from appropriations, interest earned, and proceeds from the sale or redemption of investments. The account increased by \$32.9 million reflecting the investment of FY 2012 appropriations for new AmeriCorps positions awarded during the year net of payments made on previously earned awards.

CNCS records Trust obligations at the time of the grant award for AmeriCorps State and National, or at the time CNCS enters into an enforceable agreement with an individual participant in the AmeriCorps VISTA and NCCC programs. The amount to be obligated is the estimated value of authorized education benefits, discounted for estimated enrollment, earning and usage rates, and the time value of money.

CNCS has also set aside a Trust reserve of \$50.1 million (including \$3.5 million set aside in FY 2009 for Recovery Act positions) to protect CNCS in the event that the estimates used to calculate obligations differ from actual results. During FY 2012, CNCS based its obligation amount on the full value of the education award, a 100 percent enrollment rate (allowing for refills), and earning and usage rates ranging from 77 to 87 percent depending on term type.

As of September 30, 2012, the National Service Trust had available cash, investments, and other assets of about \$643.8 million to make education award and interest forbearance payments. Of this amount, CNCS' unliquidated obligations for awarded AmeriCorps positions totaled about \$201.3 million.

CNCS Assets as of September 30, 2012



About \$10.5 million was available at year-end to fund new AmeriCorps member positions, of which \$1.9 million derives from Recovery Act funding, which cannot be used without new authorization. Trust assets are estimated to be fully sufficient to pay for all awarded AmeriCorps positions. As grants expire, CNCS deobligates funds related to member positions that were not filled. CNCS also continuously analyzes Trust operations and liability projections to identify any needed adjustments to obligations.

Advances to Others mainly represent funds provided to grantees in advance of their performance under a grant. For the most part, these advances are liquidated during the first quarter of the subsequent fiscal year. Advances to Others decreased by about 12 percent, from \$65 million at September 30, 2011 to \$57 million at September 30, 2012, reflecting the decreased funding level for 2012 programs.

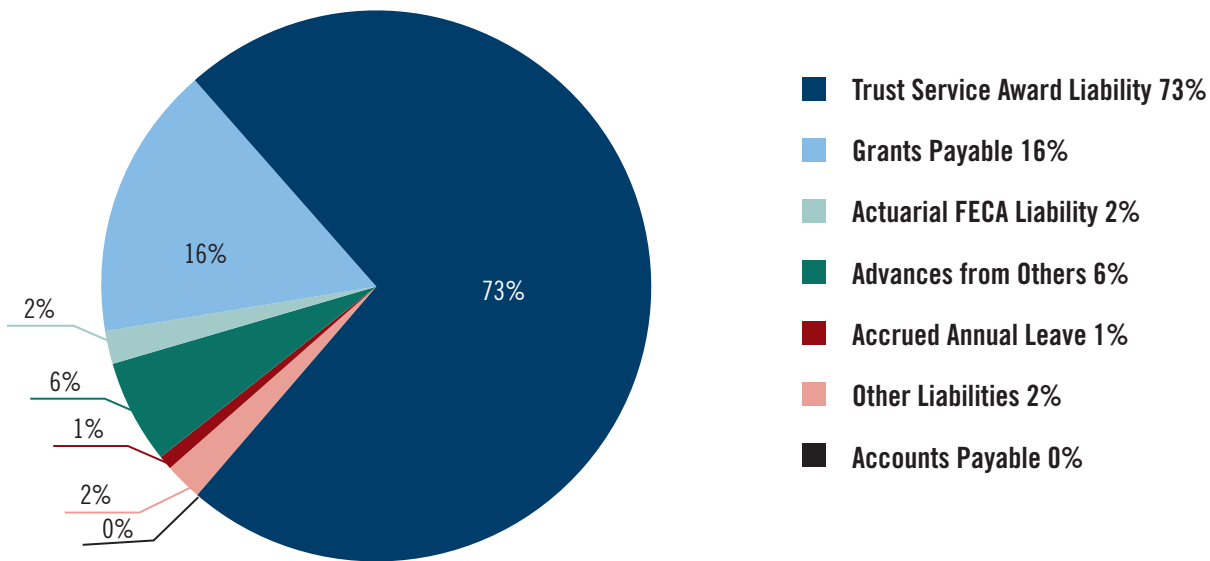
Composition of Corporation Liabilities

CNCS' most significant liabilities are the Trust Service Award Liability and Grants Payable. Individuals who successfully complete terms of service in AmeriCorps programs earn education awards that can be used to make payments on qualified student loans or for educational expenses at qualified educational institutions. The awards, which can be used for a period of up to seven years, are paid from the National Service

Trust. From CNCS' inception through FY 2009, the maximum amount of an education award was \$4,725. Beginning with FY 2010, the SAA tied the amount of the award to the amount of a Pell Grant administered by the Department of Education. The award amount of \$5,550 was in effect throughout FY 2012.

The Trust also pays forbearance interest on qualified student loans during the period members perform community service. Each year the award liability components related to education awards and interest forbearance are adjusted to reflect current trends. For FY 2012, the Trust Service Award Liability increased by \$36.9 million, about nine percent, due to the continued enrollment of members in AmeriCorps programs, increased member enrollment related to FEMA Corps, and a slight increase in the projected usage rate.

CNCS Liabilities as of September 30, 2012



Grants Payable represents funds due to grantees in payment of their performance under a grant. For the most part, these payables are liquidated during the first quarter of the subsequent fiscal year.

Grants Payable decreased by about 13.3 percent, from \$116.3 million at September 30, 2011 to \$100.8 million at September 30, 2012, reflecting the decreased funding level for 2012 programs.

Advances from Others represent the receipt of cash for work to be performed at a future date. CNCS collected \$33.7 million during FY 2012 primarily in support of FEMA Corps related activity.

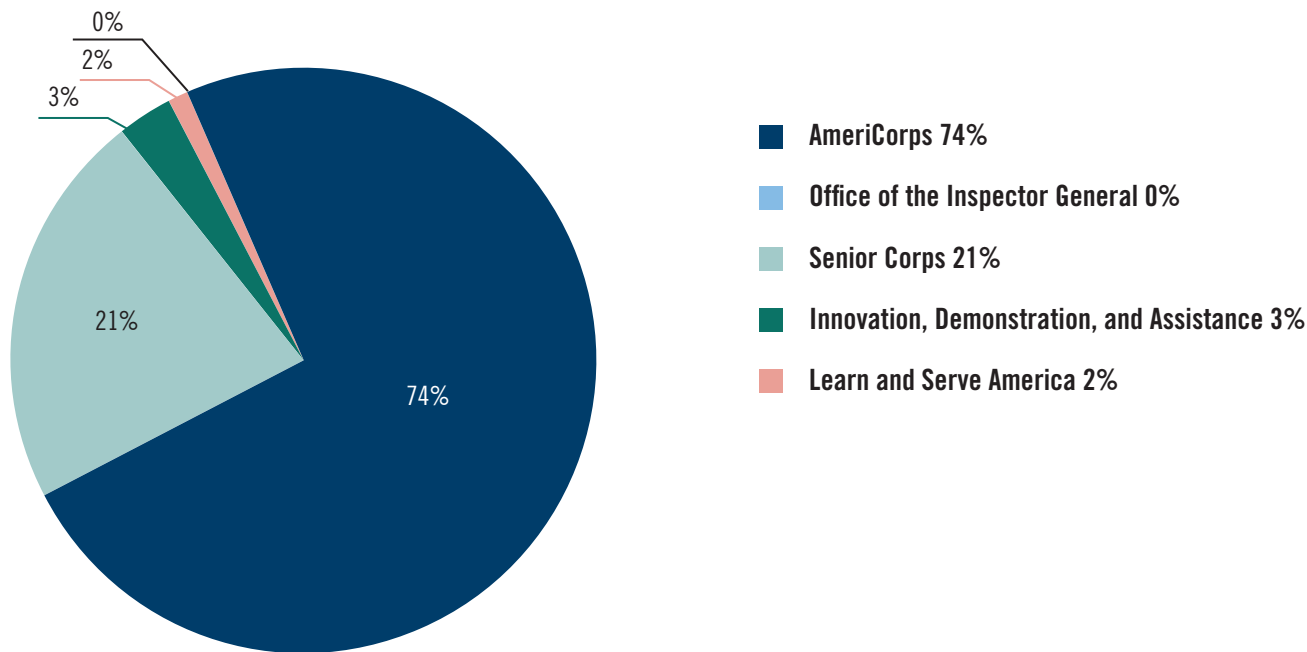
Results of Operations

The Statement of Operations and Changes in Net Position presents revenue earned by CNCS (primarily appropriations) and the annual cost of operating CNCS programs. CNCS recognizes its use of appropriated capital as revenue at the time it is expended or accrued to

pay program or administrative expenses. Appropriations received for the CNCS Trust are recognized as revenue when received in the Trust Fund. Using an appropriate cost accounting methodology, CNCS' expenses have been allocated among its major programs, at the sub-program level. Costs for each major CNCS program are reported separately. Program costs include grant expenses, and direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations.

For FY 2012, CNCS Revenue totaled \$1.074 billion, a decrease of \$39.8 million, or 4 percent, from FY 2011. Total Expenses reported for FY 2012 were \$1.073 billion which represents a decrease of \$25.4 million, or 2 percent, from FY 2011. The decrease reflects the reduced funding level in FY 2012 for all of CNCS' programs.

CNCS Expenses for the Period Ended September 30, 2012



CNCS' net revenue over expenses for FY 2012 was \$1.2 million which is a decrease of \$14.4 million compared to FY 2011. The decrease is primarily attributable to reduced funding in FY 2012 for all of CNCS' programs.

Budgetary Resources

The Statement of Budgetary Resources provides information on how budgetary resources were made available to CNCS for the year and the status of those budgetary resources at year-end. For FY 2012, Total Budgetary Resources increased \$24.7 million primarily due to advances collected to support new activity related to FEMA Corps. In contrast, total Obligations Incurred in FY 2012 decreased by \$23.7 million due to reduced funding in FY 2012 across all CNCS programs.

Future Business Trends and Events

CNCS is continuously faced with increased expectations for oversight, transparency, and accountability. To meet these expectations, CNCS takes a broad view of financial management, seeking to continuously improve and integrate its financial operations and processes at the systems and program support level and beyond. As we monitor resources, we will continue to focus on discerning the value of the goods and services we get in return for our expenditures. Some of the areas CNCS will focus on in both the immediate and long-term future include:

- Grants Process Improvements.** CNCS uses a continuous improvement strategy to assess current management systems in the area of grants process. The goal of this strategy is to provide more effective and efficient grants management services to the public. Our partnership with the Health and Human Services Payment Management System provides effective cash management approaches for grantees. As the HHS system is upgraded, we also hope to integrate grant expense data from the HHS system with our eGrants system. From a compliance standpoint, our system is integrated with the Central Contractor Database and we utilize the A-133 Clearinghouse for audit finding resolution.
- Data Security.** CNCS values the trust placed in it by programs, participants, and others interested in national and community service. During FY 2012, CNCS completed vulnerability scanning of public-facing elements of CNCS systems. Scan results indicating a high risk for possible data exposure were expeditiously addressed. CNCS also continues to scan new and revised software code to ensure that new vulnerabilities are not introduced into CNCS systems.
- eGrants System Enhancements.** CNCS is enhancing its eGrants system capability to collect, store, and retrieve new performance measurement data related to the new agency Strategic Plan; allow

supporting documents to be stored electronically in support of recordkeeping and audit requirements; and streamline the process for supporting grant continuations and amendments. These enhancements will significantly contribute to agency accountability and improve staff productivity.

- **Computer Matching.** CNCS has implemented a computer matching agreement with the Social Security Administration to validate Social Security Numbers and citizenship status for membership applications. This will speed the application review process and reduce staff work hours required for review.
- **Data Warehouse.** CNCS has implemented and continues to evolve a Data Warehouse capability to provide an increasing range of information reports based on data contained in agency grants and member management systems. In addition to producing the annual State Profiles report, the Data Warehouse has been instrumental in supporting agency outreach initiatives and internal management reviews and decisions.
- **IT Modernization.** CNCS is updating its plans for IT modernization to incorporate new technology and functionality needed to support the CNCS Strategic Plan. The plan will provide a set of projects (each of which has a duration of 180 days or less and will provide benefits immediately on implementation) that would be implemented over a three year period, depending on availability of funds. Key objectives include:
 - Providing more accurate, timely and targeted information for agency decision makers, partners, and the public,
 - Increasing agency engagement with the public through enhanced web site features and mobile-friendly applications, and
 - Increased staff and grantee productivity through streamlining navigation and functionality of grants and member management systems.
- **Financial System Upgrade.** CNCS utilizes a state of the art commercial off-the-shelf accounting system, Momentum Financials, to manage its core financial activities. Momentum Financials was implemented and continues to be maintained without customization in order to minimize risks associated with systems development efforts.

During FY 2013, CNCS will upgrade the system to a current version in order to be compliant with the GTAS Treasury initiative, have continued vendor maintenance, and improve internal controls and efficiencies. The upgrade will begin in January of 2013 and be completed by March 2013. Momentum Financials is hosted in a “cloud computing” environment.

In addition, CNCS will be implementing an interface to the Treasury IPP system (Invoice Processing Platform) in order to improve the efficiency, timeliness, and compliance of invoice payments.

- **Budget Integration.** During 2012, CNCS restructured its budget organization in an effort to consolidate the formulation and execution functions. The new structure will increase the level of support the budget organization provides to the CNCS program offices, while developing a more knowledgeable and better trained staff that understands the CNCS budget from formulation through execution.
- **Electronic Official Personnel Folder (EOPF).** CNCS is moving the EOPF initiative that will result in many benefits to the agency and more importantly CNCS employees. The EOPF will provide greater security over employee personnel records while also allowing greater access to employees monitoring records. This initiative will also improve the processing time of personnel actions.
- **Open Government.** CNCS continues to foster unprecedented levels of accountability and transparency in government spending. CNCS’ Open Government Plan has greatly enhanced the principles of transparency, participation, and collaboration that form the cornerstone of an open government into agency operations.

Financial Statements



A member of Vet Corps rebuilds a house.

Message from the CFO



The Office of the Chief Financial Officer leads CNCS' efforts for fiscally sound, cost-effective program delivery. Our efforts are supported by reliable financial management information, sound infrastructure, and knowledgeable financial management staff. Because we are accountable to the taxpayers, we strive to provide efficient and cost effective national service programs. The CNCS Agency Financial Report presents a comprehensive report on CNCS' financial operations and provides transparency and accountability to the American people. I am pleased to report that CNCS received an unqualified opinion on its consolidated financial statements for the 13th consecutive year, thus demonstrating an on-going commitment to strong fiscal stewardship.

I am pleased to report that CNCS continues to provide outstanding national service and volunteerism programs that seek to expand economic opportunity for individuals and families and create more resilient and sustainable communities.

In keeping with CNCS' focus on strong financial management practices under goal 4 of its Strategic Plan, during FY 2012 CNCS:

- Began to implement the first ever competition in the grant awarding process for Senior Corps' RSVP program. Competition can reward the best applicants strengthening programs and increasing accountability. In the longer term, competition along with new national performance measures will link program funding to outcomes.
- Established the Office of Accountability and Oversight to coordinate agency risk management and implement a robust internal control assessment and improvement program. An active and robust Internal controls assessment and improvement program is critical to ensuring that CNCS manages efficient and productive programs that are funded through taxpayer dollars.
- Partnered with the Federal Emergency Management Agency (FEMA) on the FEMA Corps program. FEMA Corps is an innovative partnership between FEMA and CNCS to enhance disaster response and recovery capacity while expanding career opportunities for young people.
- Filled critical positions in CNCS' Financial Management operations that are essential to implementing sound financial management and internal control programs. In particular, CNCS filled the CFO position, the Budget Director position, and created and filled the Director for Accountability and Oversight position.
- Enhanced financial management training for grantees.
- Eliminated three management letter findings associated with financial reporting and eight management letter findings associated with Information Technology.

These accomplishments provide the foundation for sound financial management. However, work done by the Inspector General and external auditors illuminated areas where we can continue to do better. CNCS is committed to take action and implement processes that will improve internal controls and maximize CNCS' stewardship of appropriated resources.

CNCS is committed to streamlining and improving its fiscal operations to meet the goals outlined by the President. In meeting these challenges CNCS will continue to practice strong financial management as shown through the information provided in this year's Agency Financial Report.

Finally, I would like to thank the financial management and program professionals throughout the agency for their continued dedication and hard work this past year. It is their efforts that enable CNCS to deliver the most accurate, transparent, and useful information possible.

A handwritten signature in black ink, appearing to read "David Rebich". The signature is fluid and cursive, with a large initial "D" and "R".

David Rebich

Chief Financial Officer

Consolidated Financial Statements

CNCS' consolidated financial statements report its financial position, results of operations, cash flows, and budgetary resources, as required by the Government Corporation Control Act (Act) and Executive Order 13331, National and Community Service Programs. The Act requires that government corporations submit an annual report including the corporation's financial statements to Congress. As specified in the Act, principal financial statements of CNCS are the:

- Statement of Financial Position (balance sheet), which reports the status of CNCS assets, liabilities, and net position;
- Statement of Operations and Changes in Net Position (income statement), which reports CNCS' 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' financial position and results affected its cash (Fund Balance with Treasury), and breaks the analysis down according to operating, investing, and financing activities.

In addition, under the requirements of Executive Order 13331, CNCS prepares a Statement of Budgetary Resources (SBR) as a principal financial statement. The SBR provides information about the budgetary resources made available to CNCS and the status of those resources at the end of the fiscal year.

CNCS' financial statements provide comparative information for FY 2012 and 2011. For FY 2012, CNCS' financial statements, for the 13th consecutive year, received an unqualified opinion. This opinion recognizes that CNCS' financial statements are fairly presented, in all material respects in conformity with generally accepted accounting principles.

Limitations of the Financial Statements

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

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

ASSETS	2012	2011
Fund Balance with Treasury (Note 2)	\$ 965,928	\$ 942,870
Trust Investments and Related Receivables (Note 3)	638,565	605,661
Advances to Others	57,298	64,942
Accounts Receivable, Net (Note 4)	8,483	7,607
Property and Equipment, Net (Note 5)	1,610	926
Total Assets	\$ 1,671,884	\$ 1,622,006
LIABILITIES		
Trust Service Award Liability (Note 6)	\$ 447,191	\$ 410,261
Grants Payable	100,791	115,197
Accounts Payable	2,860	3,701
Actuarial FECA Liability (Note 8)	9,783	9,092
Advances from Others	33,696	67
Accrued Annual Leave	4,140	4,121
Other Liabilities	14,220	10,348
Total Liabilities	\$ 612,681	\$ 552,787
Contingencies (Note 14)		
NET POSITION (Note 9)	\$ 1,059,203	\$ 1,069,219
Total Liabilities and Net Position	\$ 1,671,884	\$ 1,622,006

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 Periods Ended September 30 *(dollars in thousands)*

REVENUE	2012	2011
Appropriated Capital Used	\$ 824,684	\$ 883,872
Appropriations Received by the National Service Trust (Note 10)	211,916	201,200
Interest	4,434	4,669
Revenue from Services Provided	18,834	12,049
Other	13,953	11,839
Total Revenue	\$ 1,073,821	\$ 1,113,629
EXPENSES		
AmeriCorps	\$ 792,475	\$ 807,960
Senior Corps	222,315	237,348
Learn & Serve America	17,801	33,261
Innovation, Demonstration and Assistance Activities	34,748	11,464
Office of the Inspector General	5,241	8,001
Total Expenses (Note 11)	\$ 1,072,580	\$ 1,098,034
Net of Revenue Over Expenses	\$ 1,241	\$ 15,595
NET POSITION		
Net of Revenue over Expenses	\$ 1,241	\$ 15,595
Increase/(Decrease) in Unexpended Appropriations, Net (Note 13)	(11,257)	(58,992)
Increase/(Decrease) in Net Position, Net	(10,016)	(43,397)
Net Position, Beginning Balance	1,069,219	1,112,616
Net Position, Ending Balance (Note 9)	\$ 1,059,203	\$ 1,069,219

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

Corporation for National and Community Service

Consolidated Statements of Cash Flows for the Periods Ended September 30

(dollars in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES	2012	2011
Net of Revenue over Expenses	\$ 1,241	\$ 15,595
Adjustments Affecting Cash Flow:		
Depreciation, Amortization, and Loss on Disposition of Assets	88	203
Amortization of Premium/Discount on Investments	(2,811)	1,137
Appropriated Capital Used	(824,684)	(883,872)
Appropriations Received in Trust	(211,916)	(201,200)
Decrease/(Increase) in Accounts Receivable	(876)	(3,824)
Decrease/(Increase) in Interest Receivable	385	299
Decrease/(Increase) in Advances to Others	7,644	17,698
Increase/(Decrease) in Accounts Payable and Other Liabilities	3,031	(3,676)
Decrease/(Increase) in Advances to Others	33,629	—
Increase/(Decrease) in FECA and Annual Leave Liabilities	710	(3,042)
Increase/(Decrease) in Trust Liability	36,930	30,383
Increase/(Decrease) in Grants Payable	(14,406)	(9,417)
Total Adjustments	(972,277)	(1,055,311)
Net Cash Provided/(Used) by Operating Activities	\$ (971,035)	\$ (1,039,716)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of Securities	831,264	749,891
Purchase of Assets	(772)	—
Purchase of Securities	(861,742)	(791,793)
Net Cash Provided/(Used) in Investing Activities	\$ (31,250)	\$ (41,902)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received	1,050,870	1,077,733
Rescissions and Cancellations	(25,527)	(51,653)
Net Cash Provided by Financing Activities	\$ 1,025,343	\$ 1,026,080
Net Increase/(Decrease) in Fund Balance with Treasury	\$ 23,058	\$ (55,538)
Fund Balance with Treasury, Beginning	\$ 942,870	\$ 998,408
Fund Balance with Treasury, Ending	\$ 965,928	\$ 942,870

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

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

BUDGETARY RESOURCES	2012	2011
Unobligated balance, brought forward, October 1	\$ 156,728	\$ 155,307
Recoveries of prior year unpaid obligations	28,175	53,606
Cancelled Authority	(23,541)	(49,507)
Refunds and Recoveries temporarily precluded from obligations (special and trust funds)	(5)	—
Unobligated balance from prior year budget authority, net	161,357	159,406
Budget authority:		
Appropriation Discretionary	1,050,870	1,077,733
Appropriation (special or trust fund)	212,122	201,529
Permanent Reduction – New Budget Authority	(1,986)	(2,146)
Appropriation Discretionary (total)	1,261,006	1,277,116
Appropriation Mandatory (special or trust fund)	3,856	6,818
Appropriations (discretionary and mandatory)	1,264,862	1,283,934
Spending authority from offsetting collections:		
Collected	54,980	12,169
Change in uncollected customer payments from Federal sources	(433)	540
Spending Authority from offsetting collections (total)	54,547	12,709
Total budgetary resources	\$ 1,480,766	\$ 1,456,049
STATUS OF BUDGETARY RESOURCES		
Obligations incurred		
Direct	\$ 1,255,712	\$ 1,288,240
Reimbursable	19,949	11,081
Obligations incurred (total)	1,275,661	1,299,321
Unobligated balance		
Apportioned	35,030	70,623
Unobligated balance not available	170,075	86,105
Total unobligated balance, end of year	205,105	156,728
Total status of budgetary resources	\$ 1,480,766	\$ 1,456,049

(Continued)

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

(Continued)

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

CHANGE IN OBLIGATED BALANCE	2012	2011
Unpaid obligations, brought forward, October 1	\$ 1,387,883	\$ 1,400,061
Uncollected customer payments from federal sources, brought forward October 1	(539)	-
Total obligated balance, start of year (net)	\$ 1,387,344	\$ 1,400,061
Obligations incurred	1,275,661	1,299,321
Outlays (gross) (-)	(1,241,372)	(1,257,893)
Change in uncollected customer payments from federal sources	433	(540)
Recoveries of prior year unpaid obligations, actual	(28,175)	(53,606)
Obligated balance, end of period	\$ 1,393,891	\$ 1,387,343
Unpaid obligations	\$ 1,393,997	\$ 1,387,883
Uncollected customer payments from federal sources	(106)	(540)
Total unpaid obligated balance, net, end of period	\$ 1,393,891	\$ 1,387,343
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	1,319,409	1,296,643
Actual offsetting collections	(54,980)	(12,169)
Change in uncollected customer payments from federal sources	433	(540)
Budget authority, net (discretionary and mandatory)	\$ 1,264,862	\$ 1,283,934
Outlay, gross (discretionary and mandatory)	1,241,372	1,257,893
Actual offsetting collections	(54,980)	(12,169)
Outlays, net (discretionary and mandatory)	\$ 1,186,392	\$ 1,245,724
Distributed offsetting receipts	(213,058)	(202,076)
Agency Outlays, net (discretionary and mandatory)	\$ 973,334	\$ 1,043,648

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

NOTE 1—Summary of Significant Accounting Policies

A. REPORTING ENTITY

The Corporation for National and Community Service (CNCS) was created by the National and Community Service Trust Act of 1993 (Public Law 103-82). CNCS' mission is to improve lives, strengthen communities, and foster civic engagement through service and volunteering. To meet its mission, CNCS provides grants and other assistance to states, local municipalities, and nonprofit organizations to help communities meet critical challenges in the areas of education, healthy futures, environmental stewardship, economic opportunity, disaster services, and assisting veterans and military families through volunteer service. CNCS' major programs are:

Senior Corps. Senior Corps offers a network of programs that tap into the rich experience, skills and talents of older citizens to meet community challenges. Senior Corps is comprised of the RSVP, the Foster Grandparent Program, and the Senior Companion Program.

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

- *State, National, Tribes, and Territories* (State and National) offers grants supporting a broad range of local service programs that engage thousands of Americans in intensive service to meet critical community needs;
- *Volunteers in Service to America* (VISTA) helps community organizations and public agencies create and expand programs that build capacity and ultimately bring low-income individuals and communities out of poverty; and
- *National Civilian Community Corps* (NCCC) strengthens communities while developing leaders through direct, team-based national and community service.

CNCS, for the most part, administered its programs in fiscal year 2012 from the following funds:

Trust and Gift Funds:

- National Service Trust (the Trust), from which CNCS provided education awards and interest forbearance for volunteers under the AmeriCorps State and National; NCCC; and VISTA programs.

- Gifts and Contributions, into which CNCS deposited qualified gifts and contributions from individuals and organizations from which approved expenditures are made furthering CNCS' goals.

Appropriated Funds:

- Operating Expenses, from which the Corporation funded Senior Corps, AmeriCorps and other program activity.
- Salaries and Expenses, from which the Corporation funded its general administrative expenses.
- Office of Inspector General, from which CNCS funded the expenses of the OIG.
- VISTA Advance Payment Revolving Fund, from which CNCS paid the living allowances for VISTA members enrolled under cost share agreements with sponsoring organizations. CNCS is reimbursed for these costs by the sponsoring organization. Despite the account title, the VISTA Advance Payment Revolving Fund is not a revolving fund, but rather a general fund expenditure account.

On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Recovery Act included funding for the use of CNCS to support an expansion of the AmeriCorps State and National and VISTA programs. As a result of the passage of the Recovery Act, three additional appropriated funds were established:

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

B. BASIS OF ACCOUNTING

The accompanying financial statements include all funds administered by CNCS, as delineated in Note 1A— Reporting Entity. They include CNCS' activities related to providing grants and other assistance to eligible states, local governments, and nonprofit organizations as well as education awards to eligible national service participants. All significant intra-entity transactions and balances are eliminated in consolidation.

C. FINANCIAL STATEMENT PRESENTATION AND CONSOLIDATION POLICY

The accompanying financial statements report CNCS' 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' 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' financial position and results affected its cash (Fund Balance with Treasury), and breaks the analysis down according to operating, investing, and financing activities.

The financial statements are presented in accordance with the accounting principles generally accepted in the United States of America (GAAP), as applicable to federal government corporations. The Federal Accounting Standards Advisory Board (FASAB) is the standard setting body for the federal government. Statement of Federal Financial Accounting Standards Number 34 (SFFAS 34) provides that financial statements prepared by certain government corporations in conformity with the accounting standards issued by the Financial Accounting Standards Board (FASB) are regarded as being in conformity with GAAP. As provided by SFFAS 34, where there is no standard issued by FASB applicable to the federal corporation the financial statements are presented in accordance with the accounting standards issued by FASAB.

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

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

D. BUDGETS AND BUDGETARY ACCOUNTING

The activities of CNCS are primarily funded through the annual, Departments of Labor, Health and Human Services, Education and Related Agencies Appropriation Act. CNCS' 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, 2012, the carrying amounts of Fund Balance with Treasury, Accounts Receivable, Advances to Others, Accrued Interest Receivable, Accounts Payable, and Other Liabilities approximate their fair value.

F. FUND BALANCE WITH TREASURY

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

The FBWT maintained in the National Service Trust is restricted to specific purposes, such as paying service awards earned by eligible participants, and is not available for use in the current operations of CNCS. In addition, the majority of the funds received from individuals and organizations for deposit in the Gifts and Contributions fund are restricted for particular uses, such as service projects.

G. INVESTMENTS AND RELATED RECEIVABLES

By law, CNCS may invest the funds of the National Service Trust in interest-bearing Treasury securities guaranteed by the United States as to principal and interest. These Treasury securities are referred to as "market-based," since they mirror actual Treasury securities sold on the open market. They consist of Treasury notes, bonds, bills and one-day certificates.

Since they are expected to be held-to-maturity, CNCS' 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, at year-end is included in the interest receivable balance.

H. ADVANCES TO OTHERS

CNCS advances funds to non-federal entities, primarily in response to grantee drawdown requests, to facilitate their authorized service activities. The cash payments to grantees, in excess of amounts appropriately expended under the terms of the grant agreements, are accounted for as advances. At the end of the fiscal year, the total amount advanced to grantees is compared with the total CNCS-funded amount of grant expenses properly incurred by the grantees. Grantee expenses are determined from reports submitted by the grantees. For those grantees with advances exceeding expenses, the aggregate difference is reported as the advance account balance.

I. ACCOUNTS RECEIVABLE

Accounts receivable represents amounts due to CNCS primarily under federal and non-federal reimbursable agreements, grantee audit resolution determinations, and outstanding travel advances due from employees. An allowance for doubtful accounts is established for reporting purposes based on past experience.

J. PROPERTY AND EQUIPMENT

Property and Equipment is stated at full cost, including all costs related to acquisition, delivery, and installation, less accumulated depreciation (or amortization). Normal maintenance and repair costs on capitalized property and equipment are expensed when incurred.

CNCS' general policy is to capitalize Property and Equipment if the initial acquisition price is \$50 thousand or more. Property and Equipment with an estimated useful life that extends beyond the year of acquisition is capitalized at historical cost and is depreciated (or amortized) on a straight-line basis over estimated useful lives ranging from two to 10 years, using the half-year convention.

K. 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.

L. GRANTS PAYABLE

CNCS awards grants to nonprofit organizations, educational institutions, states, municipalities, and other external organizations. Grants become budgetary obligations, but not liabilities, at the time they are awarded.

Although most grantees request funds prior to incurring expenses, some incur expenditures prior to initiating a request for disbursement, based on the nature of the expenditures. At the end of the fiscal year, CNCS computes and reports an estimate of the amount of unreimbursed grantee expenses as grants payable. This accrual is based on an analysis of the amounts actually disbursed to grantees in the third quarter.

M. 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.

N. 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 CNCS employees and members under FECA are determined and paid by the Department of Labor (DOL) and later billed to CNCS. CNCS' actuarial liability for workers' compensation includes costs incurred, but unbilled as of year-end, as calculated by DOL. CNCS reimburses DOL for FECA claims out of current appropriations upon receipt of a bill from DOL.

O. OTHER LIABILITIES

Other liabilities include amounts owed but not paid at the end of the fiscal year for payroll and benefits, VISTA stipends, the amount of claims for benefits for CNCS employees under FECA that have been paid by DOL and billed to CNCS but have not yet been reimbursed to DOL, and imputed costs for future retirement and health care benefits as determined by an Office of Personnel Management calculation.

P. 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.

Q. ADVANCES FROM OTHERS

Advances from others consist of advances from other federal agencies and the public related to interagency and cost share agreements into which CNCS entered to provide services.

R. NET POSITION

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

S. REVENUE RECOGNITION

Appropriated Capital Used. CNCS recognizes its use of appropriated capital as revenue at the time it is expended or accrued to pay program or administrative expenses. Appropriations expended for property and equipment are recognized as used when the property is purchased.

Appropriated capital not expended within five fiscal years after it became available for obligation is cancelled. Unpaid obligations recorded against cancelled appropriated capital are paid from currently available appropriated funds as payments become due. Appropriations received for CNCS' Trust are recognized as revenue when received in the Trust Fund. Trust appropriations do not expire with the passage of time and are retained by CNCS in the Trust until used for eligible education service award purposes.

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

Revenue from Services Provided. CNCS also receives income from reimbursable service agreements that is recorded as revenue from services provided. Revenue from services provided is recognized when earned, i.e., goods have been delivered or services rendered.

Gifts and Donations. Revenue is recognized at the time gifts and donations are received and deposited in the Treasury to the credit of the Gifts and Contributions Fund.

T. RETIREMENT BENEFITS

CNCS' employees participate in either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). FERS was established by the enactment of Public Law 99-335.

Pursuant to this law, FERS and Social Security automatically cover most employees hired after December 31, 1983. Employees hired prior to January 1, 1984 elected to join FERS and Social Security or remained in the CSRS.

For employees covered by CSRS, CNCS contributes seven percent of their basic pay. For those employees covered by FERS, CNCS contributes 11.2 percent of their gross pay towards retirement. Employees are allowed to participate in the Federal Thrift Savings Plan (TSP). For employees under FERS, CNCS contributes an automatic one percent of basic pay to TSP and matches employee contributions up to an additional four percent of pay, for a maximum Corporation contribution amounting to five percent of pay. Employees under CSRS may participate in the TSP, but will not receive either CNCS' automatic or matching contributions.

U. 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.

V. 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' 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.

W. RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to current year presentation and better reflect CNCS' operations under its reauthorization. Specifically, the Statement of Budgetary Resources was realigned as prescribed by FASAB. In addition, Advances from Others was reclassified from Other Liabilities resulting from FEMA Corps activities and Accounts Payable - Other was reclassified from Grants Payable to Accounts Payable.

X. CONCENTRATION OF RISKS

Congress annually considers whether to fund CNCS' program and operational activities. Should Congress opt not to enact appropriations to fund them, CNCS would be unable to continue operations. However, for fiscal year 2012 Congress did not fund the Learn & Serve America program and CNCS does not anticipate that additional funding will be enacted in the future. Corporation management believes the risk of such an occurrence is remote.

NOTE 2—Fund Balance with Treasury

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

Appropriated Funds—Appropriated funds are received through congressional appropriations to provide financing sources for CNCS' programs on an annual, multi-year, and no-year basis.

Trust Funds—Trust funds are accounts designated by law for receipts earmarked for specific purposes and for the expenditure of these receipts. Funds from the National Service Trust may be expended for

the purpose of providing an education award or student loan interest forbearance payment and are made directly to a qualified institution (college, university, or other approved educational institution, or a lending institution holding an existing student loan) as designated by the participant. The National Service Trust also pays awards under the President's Freedom Scholarship, Summer of Service, and Silver Scholar programs.

Gift Funds—Gift Funds are funds received from individuals and organizations as donations in furtherance of the purposes of national service laws.

Fund Balance with Treasury as of September 30, 2012 (*dollars in thousands*)

Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 960,310	\$ -	\$ 960,310
Trust Funds	-	4,951	4,951
Gift Funds	-	667	667
Total	\$ 960,310	\$ 5,618	\$ 965,928

Fund Balance with Treasury as of September 30, 2011 (*dollars in thousands*)

Type	Unrestricted	Restricted	Total
Appropriated Funds	\$ 941,944	\$ -	\$ 941,944
Trust Funds	-	361	361
Gift Funds	-	565	565
Total	\$ 941,944	\$ 926	\$ 942,870

Unexpended Balances as of September 30, 2012 (*dollars in thousands*)

Type	Unrestricted	Restricted	Total
FBWT	\$ 960,310	\$ 5,618	\$ 965,928
Investments	-	638,565	638,565
Total	\$ 960,310	\$ 644,183	\$ 1,604,493

NOTE 2—Fund Balance with Treasury—Continued

Status of Unexpended Balances as of September 30, 2012 *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Unobligated:			
Available	\$ 130,960	\$ 79,642	\$ 210,602
Unavailable	-	-	-
Obligated not yet Disbursed	829,350	564,541	1,393,891
Total	<u>\$ 960,310</u>	<u>\$ 644,183</u>	<u>\$ 1,604,493</u>

Unexpended Balances as of September 30, 2011 *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
FBWT	\$ 941,944	\$ 926	\$ 942,870
Investments	-	605,661	605,661
Total	<u>\$ 941,944</u>	<u>\$ 606,587</u>	<u>\$ 1,548,531</u>

Status of Unexpended Balances as of September 30, 2011 *(dollars in thousands)*

Type	Unrestricted	Restricted	Total
Unobligated:			
Available	\$ 97,219	\$ 13,771	\$ 110,990
Unavailable	-	50,197	50,197
Obligated not yet Disbursed	844,725	542,619	1,387,344
Total	<u>\$ 941,944</u>	<u>\$ 606,587</u>	<u>\$ 1,548,531</u>

NOTE 3—National Service Trust Investments and Related Receivables

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

Investments and Related Receivables as of September 30 (*dollars in thousands*)

	2012	2011
Investments, Carrying Value	\$ 637,507	\$ 604,218
Investment and Interest Receivable	1,058	1,443
Total	\$ 638,565	\$ 605,661

Amortized Cost and Fair Value of Investment Securities as of September 30, 2012

(*dollars in thousands*)

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 477,115	\$ 3,045	\$ 480,160
Bills	160,392	5	160,397
Total	\$ 637,507	\$ 3,050	\$ 640,557

Amortized Cost and Fair Value of Investment Securities as of September 30, 2011

(*dollars in thousands*)

Securities	Amortized Cost	Unrealized Gains/(Losses)	Fair Value
Notes	\$ 426,846	\$ 5,220	\$ 432,066
Bills	177,372	45	177,417
Total	\$ 604,218	\$ 5,265	\$ 609,483

At September 30, 2012, the notes held at year-end had an interest rate range of 0.250% to 1.875% and an outstanding maturity period of approximately 34 days to 3 years. The bills held at year-end had an interest rate range of 0.000% to 0.095% and were all due to mature within 186 days. The par values of these bills range from \$.30 million to \$35.8 million. The fair value of the bills and notes is based on bid and ask prices quoted by the Treasury as of September 30, 2012 and 2011.

Since fiscal 2003, CNCS has set aside in reserve a portion of the funds in the National Service Trust for use in the event that its estimates used to calculate obligational amounts for education awards prove to be too low. This reserve was originally required by the Strengthen AmeriCorps Program Act, and is now required by section 149(b) of the National and Community Service Act (42 U.S.C. 12606(b)). As of September 30, 2012, \$50.197 million of CNCS' investment account has been set aside for this reserve.

NOTE 3—National Trust Investments and Related Receivables—Continued

Investments held at September 30 mature according to the following schedule:

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

Held-to-Maturity Securities	2012		2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	\$ 327,537	\$ 327,780	\$ 323,876	\$ 324,250
Due after 1 year up to 5 years	309,970	312,777	280,342	285,233
Total	\$ 637,507	\$ 640,557	\$ 604,218	\$ 609,483

NOTE 4—Accounts Receivable, Net

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

	Appropriated Funds	Trust Fund	Total
2012			
Accounts receivable	\$ 8,616	\$ 289	\$ 8,905
Less: allowance for loss on receivables	(384)	(38)	(422)
Accounts Receivable, Net	\$ 8,232	\$ 251	\$ 8,483
2011			
Accounts receivable	\$ 7,168	\$ 653	\$ 7,821
Less: allowance for loss on receivables	(204)	(10)	(214)
Accounts Receivable, Net	\$ 6,964	\$ 643	\$ 7,607

NOTE 5—Property and Equipment, Net

General Property and Equipment as of September 30, 2012 (*dollars in thousands*)

Major Class	Service Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Equipment	3 - 10	\$ 2,586	\$ (1,863)	\$ 723
ADP software	2	9,446	(8,559)	887
Total		\$ 12,032	\$ (10,442)	\$ 1,610

NOTE 5—Property and Equipment, Net—Continued

General Property and Equipment as of September 30, 2011 *(dollars in thousands)*

Major Class	Service Life (Years)	Cost	Accumulated Depreciation	Net Book Value
Equipment	3 - 10	\$ 2,997	\$ (2,071)	\$ 926
ADP software	2	8,263	(8,263)	-
Total		\$ 11,260	\$ (10,334)	\$ 926

Depreciation Expense for the Period Ending September 30 *(dollars in thousands)*

Major Class	2012	2011
Equipment	\$ (208)	\$ 203
ADP software	296	-
Total	\$ 88	\$ 203

NOTE 6—Trust Service Award Liability

Individuals who successfully complete terms of service in AmeriCorps programs earn education awards, which can be used to make payments on qualified student loans or for educational expenses at qualified educational institutions. The awards, which are available to use for a period of up to seven years after the benefit has been earned, are paid from the National Service Trust. The National Service Trust

also pays forbearance interest on qualified student loans during the period members perform community service, as well as awards under the Presidential Freedom Scholarship Program. The award liability components related to education awards and interest forbearance have been adjusted, based on historical experience, to reflect the fact that some eligible participants may not use these benefits. The Service Award was composed of the following as of September 30:

Service Award Liability as of September 30 *(dollars in thousands)*

	2012	2011
Education awards	\$ 2,109,437	\$ 1,900,793
Interest forbearance	72,256	62,425
President's Freedom Scholarship Program	22,527	22,527
Total estimated service award liability	2,204,220	1,985,745
Less: cumulative awards paid	1,757,029	1,575,484
Total	\$ 447,191	\$ 410,261

NOTE 6—Trust Service Award Liability—Continued

The net Service Award Liability as of September 30, 2012 increased by approximately \$36.9 million from the net Service Award Liability as of September 30, 2011. This change was largely due to new member enrollments related to FEMA Corps and an increase in the number of members still serving during the year. Past CNCS appropriations made amounts from the National Service Trust available for \$1,000 scholarships for high school students known as Presidential Freedom Scholarships. To fund each scholarship, a local community or corporate source matched the \$500 portion of the scholarship provided by CNCS. The program was discontinued in 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. As of October 1, 2009, the National Service Trust is also available to pay Summer of Service and Silver Scholar educational awards. However, the Silver

Scholar program was not funded and no current liability was accrued for those educational awards. The Summer of Service program was only funded in FY 2010.

NOTE 7—Operating Leases

CNCS leases office space through the General Services Administration (GSA). GSA charges CNCS a Standard Level Users Charge that approximates commercial rental rates for similar properties. The NCCC also leases housing and other facilities for its campuses. Additionally, CNCS leases motor vehicles on an annual basis through GSA under an Interagency Fleet Management Service agreement for the NCCC. The leases are renewable with no purchase or escalation clause. The following schedule presents future minimum rental commitments under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of September 30.

Estimated Operating Lease Commitments as of September 30 (*dollars in thousands*)

Fiscal Year	2012				2011			
	Facilities Space	Vehicles	Other	Total	Facilities Space	Vehicles	Other	Total
2012	\$ -	\$ -	\$ -	\$ -	\$ 9,694	\$ 641	\$ 307	\$ 10,642
2013	9,861	766	339	10,966	9,994	548	285	10,827
2014	9,846	788	294	10,928	10,303	570	285	11,158
2015	10,151	819	279	11,249	10,621	593	276	11,490
2016	10,465	851	272	11,588	10,950	617	265	11,832
2017	10,790	884	272	11,946	-	-	-	-
Total	\$ 51,113	\$ 4,108	\$ 1,456	\$ 56,677	\$ 51,562	\$ 2,969	\$ 1,418	\$ 55,949

NOTE 8—Actuarial FECA Liability

CNCS' actuarial liability for future workers' compensation benefits under FECA was \$9.783 and \$9.092 million as of September 30, 2012 and 2011, respectively. The amount includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. As with all federal agencies CNCS' FECA liability is determined by the Department of Labor. 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 Positions

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.

Net Position by Fund Balance Component as of September 30, 2012 *(dollars in thousands)*

	Gift Fund	Trust Fund	Appropriated Funds	Total
Unexpended appropriations	\$ 28	\$ -	\$ 864,803	\$ 864,831
Cumulative results of operations	633	196,576	(2,837)	194,372
Total Net Position	\$ 661	\$ 196,576	\$ 861,966	\$ 1,059,203

Net Position by Fund Balance Component as of September 30, 2011 *(dollars in thousands)*

	Gift Fund	Trust Fund	Appropriated Funds	Total
Unexpended appropriations	\$ -	\$ -	\$ 876,088	\$ 876,088
Cumulative results of operations	591	196,404	(3,864)	193,131
Total Net Position	\$ 591	\$ 196,404	\$ 872,224	\$ 1,069,219

CNCS is required to report information regarding its financial position according to three classes of net assets (net position): unrestricted, temporarily restricted and permanently restricted. CNCS has no

permanently restricted assets. The following table presents CNCS' unrestricted and temporarily restricted net assets.

Restrictions on Net Position as of September 30, 2012 *(dollars in thousands)*

	Unrestricted	Temporarily Restricted	Total
Appropriated Funds	\$ 861,966	\$ -	\$ 861,966
Trust Funds	-	196,576	196,576
Gift Funds	28	633	661
Total Net Position	\$ 861,994	\$ 197,209	\$ 1,059,203

Restrictions on Net Position as of September 30, 2011 *(dollars in thousands)*

	Unrestricted	Temporarily Restricted	Total
Appropriated Funds	\$ 872,224	\$ -	\$ 872,224
Trust Funds	-	196,404	196,404
Gift Funds	-	591	591
Total Net Position	\$ 872,224	\$ 196,995	\$ 1,069,219

NOTE 10—Appropriations Received by the National Service Trust

For fiscal year 2012, the National Service Trust received \$207.561 million under the Consolidated Appropriations Act, 2012. For fiscal year 2011, the National Service Trust received \$199.260 million under the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (Public Law 112-10). The acts also authorized CNCS to transfer additional amounts from subtitle C program funds to the National Service Trust to support the activities of national service participants. CNCS transferred \$4.355 million and \$1.940 million to the Trust under this provision in fiscal year 2012 and 2011, respectively.

NOTE 11—Expenses

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

AmeriCorps engages members in intense, impact-oriented service to address local community needs in areas of Education, Healthy Futures, Environmental Stewardship, Economic Opportunity, Disaster Services, and assisting Veterans and Military Families. AmeriCorps includes the State, National, Tribes, and Territories (State/National); National Civilian Community Corps (NCCC); and Volunteers In Service To America (VISTA) programs. The State/National sub-program includes grant expenses, as well as direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations. The NCCC sub-program includes member stipend and benefits, and direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations. The VISTA sub-program includes grant expenses, member stipend and benefits, as well as direct and allocated personnel and administrative costs including AmeriCorps recruitment and National Service Trust operations.

Senior Corps programs provide opportunities for members 55 and older to address local community needs in the areas of Education, Assisting Veterans and Military Families, Disaster Response, and Healthy Futures. Senior Corps includes the Foster Grandparent Program (FGP); Senior Companion Program (SCP); and the RSVP. The Senior Corps program includes grant expenses, as well as direct and allocated personnel and administrative costs for RSVP, FGP, and SCP. CNCS also has reimbursable agreements with several state agencies whereby CNCS awards and administers grants to a list of grantees selected and funded

by the State (pass-through grants). The activity related to pass-through grants has been reclassified to be associated with the related Senior Corps program.

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 Learn & Serve program is no longer funded; however, there will be on-going activity through FY 2013 as the program winds down.

The National Service Award Expense component consists of CNCS' estimated expense for education awards based on the increase in its service award liability during the year and interest forbearance costs on qualified student loans during the period members perform community service. No indirect costs have been allocated to the National Service Award expense component.

Innovation, Demonstration, & Assistance Activities (ID&A Activities) include grants to support and encourage new forms of service and volunteering. The most significant program is the Social Innovation Fund (SIF). The primary objective of the SIF is to improve the lives of people in low-income communities by mobilizing public and private sources to grow innovative nonprofit organizations that have evidence of compelling impact in the areas of Economic Opportunity, Youth Development, and Healthy Futures. No indirect costs have been allocated to the Innovation, Demonstration, & Assistance Activities component.

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

NOTE 11—Expenses—Continued

Components of Grant Funds Expended for the Period Ended September 30
(dollars in thousands)

	2012	2011
Domestic Volunteer Service Act Programs	\$ 227,317	\$ 249,235
National and Community Service Act Programs	407,603	434,821
Total Grant Funds Expended	<u>\$ 634,920</u>	<u>\$ 684,056</u>

Expenses by Major Responsibility Segment for the Period Ended September 30
(dollars in thousands)

	2012	2011
AmeriCorps		
State and National	\$ 609,046	\$ 633,975
NCCC	45,394	35,826
VISTA	<u>138,035</u>	<u>138,159</u>
Subtotal	\$ 792,475	\$ 807,960
Senior Corps		
RSVP	51,980	67,130
Foster Grandparent Program	119,206	118,900
Senior Companion Program	<u>\$ 51,129</u>	<u>\$ 51,318</u>
Subtotal	222,315	237,348
Learn and Serve America	17,801	33,261
Innovation, Demonstration, Assistance Activities	34,748	11,464
Office of Inspector General (OIG)	5,241	8,001
Total Expenses	<u>\$ 1,072,580</u>	<u>\$ 1,098,034</u>

Expenses by Type and Sub-Program for the Period Ended September 30, 2012 (dollars in thousands)

Type	AmeriCorps			National Senior Service Corps						Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP	Learn & Serve	ID&A Activities	OIG	
Grant and Related Expense										
Grant funds expended	\$ 358,112	\$ -	\$ 29,387	\$ 46,345	\$ 106,159	\$ 45,426	\$ 15,583	\$ 33,908	\$ -	\$ 634,920
VISTA and NCCC stipends and benefits	-	9,571	60,951	-	-	-	-	-	-	70,522
Service award expense	182,786	8,609	27,028	-	-	-	-	-	-	218,423
Total Grant and Related Expense	540,898	18,180	117,366	46,345	106,159	45,426	15,583	33,908	-	923,865
Administrative Expense										
Federal employee salaries and benefits	34,919	9,504	7,885	2,497	5,861	2,485	1,251	-	3,429	67,831
Travel and transportation	1,144	3,217	1,606	386	865	380	37	-	98	7,733
Rent, communications, and utilities	4,439	5,247	835	322	756	320	105	-	98	12,122
Program analysis and evaluation	1,876	137	395	161	379	161	101	-	-	3,210
Printing and reproduction	68	40	12	36	16	11	2	-	2	187
Other services and expenses	25,116	7,460	9,840	2,186	5,060	2,299	706	840	1,574	55,081
Supplies and materials	212	1,603	39	17	39	17	6	-	40	1,973
Depreciation, amortization, and loss on disposition of assets	322	5	49	26	61	26	9	-	-	498
Bad debt	52	1	8	4	10	4	1	-	-	80
Total Administrative Expense	68,148	27,214	20,669	5,635	13,047	5,703	2,218	840	5,241	148,715
Total Expenses by Type	\$ 609,046	\$ 45,394	\$ 138,035	\$ 51,980	\$ 119,206	\$ 51,129	\$ 17,801	\$ 34,748	\$ 5,241	\$ 1,072,580

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Expenses by Type and Sub-Program for the Period Ended September 30, 2011 *(dollars in thousands)*

Restated	AmeriCorps			National Senior Service Corps						Total
	State/National	NCCC	VISTA	RSVP	FGP	SCP	Learn & Serve	ID&A Activities	OIG	
Grant and Related Expense										
Grant funds expended	\$ 396,174	\$ -	\$ 36,465	\$ 59,244	\$ 107,643	\$ 45,883	\$ 27,563	\$ 11,084	\$ -	\$ 684,056
VISTA and NCCC stipends and benefits	-	8,137	57,363	-	-	-	-	-	-	65,500
Service award expense	173,300	4,339	17,601	-	-	-	577	-	-	195,817
Total Grant and Related Expense	569,474	12,476	111,429	59,244	107,643	45,883	28,140	11,084	-	945,373
Administrative Expense										
Federal employee salaries and benefits	31,974	9,664	7,491	2,754	5,031	2,147	2,794	-	4,887	66,742
Travel and transportation	1,166	3,516	1,584	505	887	387	85	-	318	8,448
Rent, communications, and utilities	4,548	3,616	948	407	745	318	182	-	403	11,167
Program analysis and evaluation	1,735	449	629	266	479	206	382	-	-	4,146
Printing and reproduction	164	91	81	107	35	60	7	-	-	545
Other services and expenses	24,511	4,759	15,862	3,810	4,012	2,288	1,647	380	2,209	59,478
Supplies and materials	407	1,255	136	37	68	29	24	-	184	2,140
Depreciation, amortization, and loss on disposition of assets	129	2	20	13	24	10	6	-	-	204
Bad debt	(133)	(2)	(21)	(13)	(24)	(10)	(6)	-	-	(209)
Total Administrative Expense	64,501	23,350	26,730	7,886	11,257	5,435	5,121	380	8,001	152,661
Total Expenses by Type	\$ 633,975	\$ 35,826	\$ 138,159	\$ 67,130	\$ 118,900	\$ 51,318	\$ 33,261	\$ 11,464	\$ 8,001	\$ 1,098,034

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NOTE 12—National Service Award Expense

Members serving in approved national service positions are eligible to earn a service award to pay for qualified education expenses. The National Service Trust also pays interest forbearance costs on qualified student loans during the period members perform community service.

CNCS estimates the expense for national service awards based on the increase in its cumulative service award liability during the year (see Note 6). The total service award liability as of September 30, 2012 and 2011, respectively, has been adjusted to reflect the fact that earned awards are not always used.

National Service Award Expense for the Period Ended September 30 (*dollars in thousands*)

	2012	2011
Estimated education awards	\$ 208,758	\$ 188,599
Estimated interest forbearance	9,665	7,218
National Service Award Expense	\$ 218,423	\$ 195,817

NOTE 13—Change in Unexpended Appropriations, Net

Unexpended Appropriations, Net as of September 30 (*dollars in thousands*)

	2012	2011
Unexpended Appropriations, Beginning Balance	\$ 876,088	\$ 935,080
Increases:		
Appropriations Received	1,050,870	1,077,733
Decreases:		
Appropriated Capital Used	(824,684)	(883,872)
Appropriations Transferred to Trust Fund (net of rescissions)	(207,561)	(199,260)
Program Funds Transferred to Trust	(4,355)	(1,940)
Rescissions and Cancellations	(25,527)	(51,653)
Total Decreases	(1,062,127)	(1,136,725)
Change in Unexpended Appropriations	(11,257)	(58,992)
Unexpended Appropriations, Ending Balance	\$ 864,831	\$ 876,088

NOTE 14—Contingencies

CNCS is a party to various routine administrative proceedings, legal actions, and claims brought by or against it, including threatened or pending litigation involving labor relations claims, some of which may ultimately result in settlements or decisions against CNCS. In the opinion of CNCS' management and legal counsel, there are no proceedings, actions, or claims outstanding or threatened that would materially impact the financial statements of CNCS.

Certain legal matters to which CNCS is a party may be administered and, in some instances, litigated and paid by other federal agencies. Generally, amounts paid in excess of \$2.5 thousand for Federal Tort Claims Act settlements or awards pertaining to these litigations are funded from the Treasury Judgment Fund (TJF). Although the ultimate disposition of any potential TJF proceedings cannot be determined, management does not expect that any liability or expense that might ensue would be material to CNCS' financial statements.

NOTE 15—Subsequent Events

CNCS has evaluated subsequent events through November 16, 2012, 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 16—Undelivered Orders at Fiscal Year-End

CNCS' undelivered orders at September 30, 2012 and 2011 were \$895,614 and \$921,674 thousand, respectively.

NOTE 17—Apportionment Categories of Incurred Obligations

An apportionment is a distribution by OMB of amounts available for obligation. OMB apportions Corporation funds on both a quarterly and annual basis. Obligations incurred during FY 2012 and 2011 were:

Consolidated Obligations Incurred through September 30 *(dollars in thousands)*

Fiscal Year	Direct	Reimbursable	Total
2012	\$ 1,255,712	\$ 19,949	\$ 1,275,661
2011	\$ 1,288,240	\$ 11,081	\$ 1,299,321

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

**AUDIT OF THE
CORPORATION FOR NATIONAL AND
COMMUNITY SERVICE'S
FISCAL YEAR 2012 FINANCIAL STATEMENTS**

Audit Report Number 13-01



Prepared by:

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

This report was issued to Corporation management on November 16, 2012. 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 16, 2013, and complete its corrective actions by November 18, 2013. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



November 16, 2012

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 2012 Financial Statements, OIG Audit Report 13-01

We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) to audit the consolidated financial statements of the Corporation for National and Community Service (Corporation) as of September 30, 2012 and 2011, 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, Kearney found

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

Kearney is responsible for the attached auditor's report, dated November 16, 2012, and the conclusions expressed therein. The Office of Inspector General does not express an opinion on the Corporation's financial statements or Kearney's conclusions about the effectiveness of internal controls or compliance with laws and regulations.

Attachment

cc: Asim Mishra, Chief of Staff
Robert Velasco II, Chief Operating Officer
David Rebich, Chief Financial Officer
Philip Clark, Chief Information Officer
Rocco Gaudio, Deputy CFO for Grants and Field Financial Management Center
Douglas Hilton, Director, Office of Accountability and Oversight
David Zavada, Engagement Partner, Kearney & Company



1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statements of financial position of the Corporation for National and Community Service (the Corporation) as of September 30, 2012 and 2011, and the related consolidated statements of operations and changes in net position, the consolidated statements of cash flows, and the combined statements of budgetary resources (SBR) (hereinafter referred to as the “financial statements”) for the years then ended. These consolidated financial statements are the responsibility of the Corporation’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, including the accompanying notes, present fairly, in all material respects, the financial position of the Corporation, as of September 30, 2012 and 2011, and its net cost of operations, changes in net position, cash flows, and changes in budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A 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 SBR as a principal financial statement. The Corporation’s SBR is prepared in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the fiscal year 2012 financial statements, the Corporation reclassified certain amounts in the prior year’s combined SBR to conform to the current year’s re-aligned presentation of the new Standard Form 133, *Report on Budget Execution and Budgetary Resources*. These reclassifications had no effect on the previously reported SBR balances.



Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by OMB Circular A-136, *Financial Reporting Requirements*, and the Federal Accounting Standards Advisory Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Accompanying Information (OAI) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Except as described below, such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it as part of the audits of the financial statements taken as a whole. Certain information from the Corporation's National Service Trust Fund special purpose schedules of financial position and the related special purpose schedules of operations and changes in net position, Trust obligations, and Trust budgetary resources (hereinafter referred to as the "Trust Schedules"), as of September 30, 2012, is presented in OAI. In accordance with the requirements of the National and Community Service Act of 1990, we performed a separate audit of the Trust Schedules and issued a report dated November 16, 2012.

In accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued reports, dated November 16, 2012, on our consideration of the Corporation's internal control over financial reporting and on our tests of the Corporation's compliance with certain provisions of laws, regulations, and other matters for the year ended September 30, 2012. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance as well as the results of that testing, and not to provide an opinion on the 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. 07-04, as amended, 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 16, 2012



1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS

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

We have audited the consolidated financial statements of the Corporation for National and Community Service (the Corporation) as of and for the year ended September 30, 2012, and have issued our report dated November 16, 2012. 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 No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. The management of the Corporation is responsible for compliance with laws and regulations.

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of the Corporation's compliance with certain provisions of laws and regulations, noncompliance 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 No. 07-04, as amended, that we determined were applicable. We limited our tests of compliance to these provisions; we did not test compliance with all laws and regulations applicable to the Corporation. Providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

* * * * *

This report is intended solely for the information and use of the Corporation's management, those charged with governance and others within the Corporation, the Corporation's Office of Inspector General, the Government Accountability Office, OMB, the Department of the Treasury, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Alexandria, Virginia
November 16, 2012



1701 Duke Street, Suite 500, Alexandria, VA 22314
PH: 703.931.5600, FX: 703.931.3655, www.kearneyco.com

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

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

We have audited the consolidated financial statements of the Corporation for National and Community Service (the Corporation) as of and for the year ended September 30, 2012, and have issued our report dated November 16, 2012. 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 No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. The management of the Corporation is responsible for establishing, maintaining, and assessing internal control related to financial reporting and compliance, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act of 1982 (FMFIA) are met.

In planning and performing our work, we considered the Corporation's internal control over financial reporting and compliance by obtaining an understanding of the design effectiveness of the Corporation's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of the Corporation's controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal controls. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting and compliance or on management's assertion on internal control included in Management's Discussion and Analysis.

We limited our internal control testing to those controls necessary to achieve the OMB Bulletin No. 07-04, as amended, control objectives that provide reasonable, but not absolute assurance, that: (1) transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in compliance with laws governing the use of budget authority, Government-wide policies and laws identified in Appendix E of OMB Bulletin No. 07-04, as amended, and other laws and regulations that could have a direct and material effect on the financial statements. We did not test all internal controls relevant to operating objectives, as broadly defined by the FMFIA, such as those controls relevant to ensuring efficient operations.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraphs and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. Therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses



have been identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Corporation's internal control to be a material weakness.

Material Weakness

Grant Accrual Estimate (Modified Repeat Condition)

The Corporation did not have adequate internal controls in place to ensure that the grant accrual was reasonably estimated. In fiscal year (FY) 2012, a significant variance was identified between Kearney & Company, P.C.'s (Kearney) recalculation of the June 30, 2012 grant accrual and the grant accrual amount recorded by the Corporation. Through inquiries, Kearney determined that the total grant accrual was misallocated between the Advance Offset and Grants Payable general ledger accounts. The error resulted from the use of an incorrect internal database to allocate the accrued expense to the Advance Offset and Grants Payable general ledger accounts. The incorrect database was archived by the Corporation in the fourth quarter of FY 2012 to reduce the risk of a similar error occurring in the future.

The transaction-level review procedures performed by the Corporation were not sufficient to identify this error prior to the issuance of the June 30, 2012 interim financial statements to OMB. Additionally, the error was not identified through the Corporation's quarterly variance analysis. The failure of these internal controls caused the error to go undetected; as a result, Advances to Others and Grants Payable were each understated by approximately \$39.7 million in the Corporation's June 30, 2012 interim financial statements.

Recommendations: While Kearney recognizes that the test database has already been archived, we recommend that the Corporation take the following actions to further improve the overall grant accrual and internal validation processes:

- Document and maintain support for the data and assumptions used to develop the grant accruals. The documentation should be sufficient and readily available to facilitate the Corporation's review of the assumptions and conclusions
- Strengthen controls over the grant accrual validation process by reviewing the grant accrual as part of its Internal Control Review Testing Plan
- Substantiate the Department of Health and Human Services' Payment Management System information and Microsoft Access database results by developing expectations of the estimate based on historical patterns and other influencing factors, and/or re-performing the process during the adjustment review and approval



- Set a threshold for grant accrual variance analysis and research any differences exceeding a predetermined percentage and/or amount.

During the audit, we noted certain other matters involving internal control and its operations over financial reporting that we will report to the Corporation's management in a separate letter.

The Corporation's management has provided its response to our findings in the Independent Auditor's Report section of the Agency Financial Report. We did not audit management's response and, accordingly, we do not express an opinion on it.

* * * * *

This report is intended solely for the information and use of the Corporation's management, those charged with governance and others within the Corporation, the Corporation's Office of Inspector General, the Government Accountability Office, OMB, the Department of the Treasury, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "Kearney & Company".

Alexandria, Virginia
November 16, 2012



MEMORANDUM

DATE: November 16, 2012

TO: Deborah Jeffrey, Inspector General

FROM: David Rebich, Chief Financial Officer

SUBJECT: Draft Report on the Corporation's FY 2012 Financial Statements

Thank you for the opportunity to respond to the draft report on the results of your audit of the Corporation for National and Community Service's FY 2012 financial statements. I am pleased that we can report that in FY 2012 CNCS maintained its record of strong fiscal stewardship for the American people. CNCS received an unqualified opinion on its consolidated financial statements for the 13th consecutive year. The audit also found no instance of noncompliance with laws and regulations.

I am also pleased that three management letter findings associated with financial reporting and eight management letter findings associated with Information Technology contained in the FY 2011 report have been corrected. However, the audit resulted in a modified repeat of the FY 2011 material weakness in financial reporting related to the estimated grant accruals. CNCS had a material error related to the grant accruals in the third quarter financial statements for fiscal year 2012. CNCS determined in reviewing the third quarter grant accrual that an incorrect file was used to estimate the accrual. CNCS immediately corrected the file and supplemented review controls to prevent future occurrences. This issue was resolved for the end of the year financial statements. Overall, the results reflect CNCS' commitment to sound financial management and the hard work to continuously improve financial operations.

1201 New York Avenue, NW • Washington, DC 20525
202-606-5000 • www.nationalservice.org
Senior Corps • AmeriCorps • Learn and Serve America

Other Accompanying Information



RSVP volunteers provide disaster assistance in the aftermath of a tornado.

Donations and Contributions

Under CNCS' authorizing legislation, donated funds may be accepted and used in furtherance of the purposes of the national service laws (42 USC 12651g(a)(2)(A)). The law allows CNCS to "solicit, accept, hold, administer, use, and dispose of, in furtherance of the purpose of the national service laws, donations of any money or property, real, personal, or mixed, tangible or intangible, received by gift, devise, bequest or otherwise." The legislation also requires that CNCS report to the Congress on the nature and the amount of donations, as well as on how they were used and disposed of (in the case of donated property) in support of its programs and activities. This report fulfills these requirements for FY 2012.

CNCS also utilizes Pay.gov, a Treasury program that allows federal agencies to conduct transactions online. Under the Pay.gov program, CNCS collects donations by credit card or direct debit from donors. Pay.gov facilitates the process of collecting gift funds from donors online through a secure website with real-time identification verification and provides the reporting necessary for processing transactions. The following schedules show the Gift Fund balances available as of September 30, 2012, to fund authorized activities as well as the receipts and expenses paid from the Gift Fund in FY 2012 and FY 2011, respectively.

Status of Gift Fund Balance at September 30, 2012

	Fund Balance With Treasury	Obligation & Commitments	Funds Available
Best Buy	\$ 90,826	\$ (22,860)	\$ 67,966
Home Depot	158,606	-	158,606
Ralph Lauren Polo Foundation	55,493	-	55,493
Walt Disney Company	58,559	(10,538)	48,021
Kellogg Foundation	55,572	(26,399)	29,173
Disaster Relief Fund	16,622	-	16,622
Motorola Foundation	495	-	495
Microsoft	6,315	-	6,315
American Express	25,000	-	25,000
White House Council	105,569	(831)	104,738
Miscellaneous Check Donations	25,694	(16,500)	9,194
Miscellaneous Electronic Donations	68,517	(118)	68,399
Total	\$ 667,268	\$ (77,246)	\$ 590,022

Supplemental Information on the Source and Use Of Donationsⁱ

Donor	Use of Funds	2012		2011	
		Received	Used	Received	Used
Best Buy	Grants for the Martin Luther King Day of Service	\$ 100,525	\$ 8,446	\$ -	\$ 3,231
Ralph Lauren Polo Foundation	Support for NCCC program activities	-	-	-	772
Shell Oil Co.	Support for the Martin Luther King Day of Service	-	-	-	3,518
Kellogg Foundation	AmeriCorps volunteer mobilization	2,000	1,500	-	1,969
IBEW Union	CNCS Board of Directors Support	-	-	-	1,585
Motorola Foundation	National Conference	395	1,962	15,100	15,427
Microsoft	Student Driven Virtual Help Desk	-	-	-	77,815
Target	Summer of Service	-	-	-	6,830
American Express	United We Serve	-	1,132	190,000	190,000
Rockefeller Foundation	White House Council on Community Solutions	100,000	89,237	100,000	1,221
Small Individual Donations	Restricted to				
	Disaster Relief	-	-	889	-
	Senior Corps	-	-	15	-
	AmeriCorps (Miscellaneous)	850	-	23,071	7,500
	AmeriCorps NCCC	200	335	110	651
	Learn & Serve America	-	-	25	-
	AmeriCorps Vista	-	-	30	-
	General/Miscellaneous Support	1,457	643	441	7,507
Total		\$ 205,427	\$ 103,255	\$ 329,681	\$ 318,026

ⁱ Funds reported as used during the fiscal year in the schedule may be from amounts donated in a previous year(s). In addition, the expenses above only include the amount accrued during the fiscal year and do not reflect amounts that have been obligated but not yet expensed.

National Service Trust Fund Status Report—September 2012

The National Service Trust Fund (the Trust) was established by the National and Community Service Trust Act of 1993 (42 USC 12601, et seq.) to provide funds for Segal AmeriCorps Education Awards for eligible participants who complete AmeriCorps service. Funding for the Trust comes from appropriations, interest earned, and proceeds from the sale or redemption of Trust investments. The Trust is also authorized to receive gifts or bequests; however, to date, no donations have been received by the Trust. Under the Act, funds are available to repay qualified student loans; pay educational expenses at qualified educational institutions; and repay eligible interest expense on student loans.

The value of an education award depends on the term of service performed by an AmeriCorps member. For Program Year 2012 completion of a full-time term of service, requiring a minimum of 1,700 hours of service, entitles an AmeriCorps member to an education award of \$5,550. Completion of a part-time term, requiring a minimum of 900 hours of service, entitles an AmeriCorps member to an education award

of \$2,775. Reduced part-time terms, which provide awards of \$500 to \$2,114, are also offered. The education award is indexed to Pell grants, therefore these amounts could change each year.

Education awards earned by AmeriCorps members are generally available to be used for seven years from the completion of the service. Payments are made directly to the educational institutions and the loan holders as directed by the members and by the institutions. Trust funds are not used to pay member stipends or other grant costs. Beginning in Program Year 2010, AmeriCorps State and National and Silver Scholar members who are age 55 or older when they begin service may also transfer the education award to a qualified child, grandchild, or foster child.

Table 1 shows the planned activity for the current Program Year and actual enrollments to date against the plan. The table also includes similar data on the prior Program Year for comparative purposes. Member positions (slots) classified as “Certified Not Awarded” have been approved by CNCS’ Chief Executive Officer for award to grantees for which the final grant award has not been executed. For budgetary purposes these positions are considered commitments in the Trust Fund.

Table 1. Member Position Award Activity

AmeriCorps Program	Program Year 2012					Program Year 2011				
	Awarded		Certified Not Awarded	Planned Not Certified	Total	Awarded		Certified Not Awarded	Planned Not Certified	Total
	Enrolled	Not Enrolled				Enrolled	Not Enrolled			
State and National	20,757	46,603	6,660	1,000	75,020	71,663	2,274	—	—	73,937
VISTA	6,734	—	446	—	7,180	5,800	—	—	—	5,800
NCCC	1,200	—	—	—	1,200	1,149	—	—	—	1,149
Total	28,691	46,603	7,106	1,000	83,400	78,612	2,274	—	—	80,886

The 83,400 Trust positions for Program Year 2012 do not include an estimated 1,020 AmeriCorps VISTA members (870 full time and 150 Summer Associates) electing an end-of-service stipend instead of an education award. Total estimated member positions for Program Year 2012, including VISTA members electing a stipend, is 84,420. Member enrollment and slot data are periodically adjusted to reflect corrections and slot reconfigurations by grantees; therefore they may change slightly from month to month.

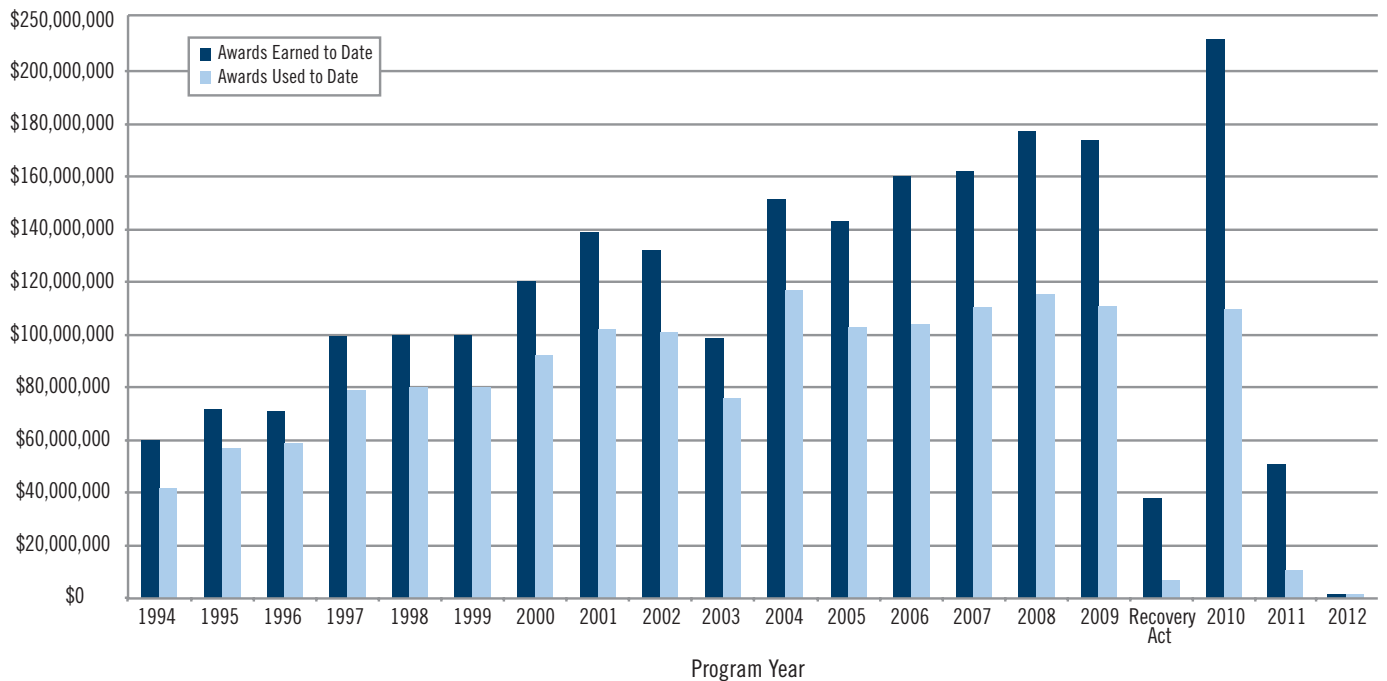
The 80,886 Trust positions for Program Year 2011 do not include an estimated 1,650 AmeriCorps VISTA members (1,329 full time and 321 Summer Associates) electing an end-of-service stipend instead of an education award. Total estimated member positions for Program Year 2011, including VISTA members electing a stipend, is 82,536. Of the

5,800 VISTA member positions in the Trust for 2011, 1,453 positions are for Summer Associates who receive a Trust award of \$1,175. Member enrollment and slot data are periodically adjusted to reflect corrections and slot configurations by grantees; therefore they may change slightly from month to month.

Trust Awards

Since CNCS' inception in 1993 AmeriCorps members have earned over \$2.43 billion in Segal AmeriCorps Education Awards and used over \$1.67 billion to fund their education and repay student loans. In addition, CNCS has made \$62.04 million in interest forbearance payments. Approximately \$243.9 million in education awards earned have expired without being used. The Trust obligation formula has been adjusted to reflect these expired awards.

Chart 1. Segal AmeriCorps Education Awards Earned and Used by Program Year



Not reflected in the Segal AmeriCorps Education Award balances are payments for President's Freedom Scholarships to high school students. CNCS no longer awards these \$500 scholarships from the National Service Trust. Under this program a Trust scholarship was matched with \$500 from a local sponsor for a total of \$1,000 to help the student fund

a college education. Although the program was discontinued in fiscal 2006, students have up to seven years to use their scholarship; therefore some payments will continue to be made over the next several years. President's Freedom Scholarships payments to date have totaled \$21.7 million.

Refilled Positions

CNCS’ policy allows grantees limited flexibility to refill positions vacated by a member who has served less than 30 percent of his or her service term, provided that the departing member had not earned a pro-rated education award. To prevent over-enrollment, the policy includes “fail safe” triggers that restrict the overall number of refills to no more than

5 percent of awarded positions and suspends refilling altogether if total AmeriCorps enrollment reaches 97 percent of awarded positions. Table 2 provides information on the number of positions refilled. Recovery Act positions and positions in Program Years 2010 and earlier can no longer be refilled.

Table 2. Number of Refilled Positions

	Results to Date					
	Program Year 2009	Recovery Act	Program Year 2010	Program Year 2011	Program Year 2012	Fail-safe Trigger
Number of Refilled Positions	1,385	328	1,604	1,494	22	N/A
Refills as a Percent of Awarded State and National Positions	2.1%	3.1%	2.0%	2.0%	0.0%	5%
State and National Enrollment as a Percentage of Awarded State and National Positions	97.3%	98.6%	99.5%	96.9%	30.8%	97%

Trust Accounting

The Schedule of Financial Position (Table 3) and the Schedule of Operations (Table 4) present information on the assets, liabilities, revenue, and expenses of the Trust Fund using Generally Accepted Accounting Principles (GAAP), which is the method of accounting for the liability used for financial statement purposes. Discrete information on the Trust activity related to Recovery Act funds and general funds, as well as on a consolidated basis, is provided.

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.

Table 3. Corporation for National and Community Service
National Service Trust Schedule of Net Position as of September 30, 2012
(dollars in thousands)

	Recovery Act	Trust FEMA Corps	General Fund	Consolidated
Assets				
Fund Balance with Treasury	\$ 149	\$ 251	\$ 4,551	\$ 4,951
Investments, Net	14,907	2,000	620,600	637,507
Interest Receivable	-	-	1,058	1,058
Accounts Receivable	-	-	251	251
Subtotal	<u>15,056</u>	<u>2,251</u>	<u>626,460</u>	<u>643,767</u>
Liabilities				
Service Award Liability	9,583	-	437,608	447,191
Net Position				
Cumulative Results of Operations	<u>5,473</u>	<u>2,251</u>	<u>188,852</u>	<u>196,576</u>
Total Liabilities and Net Position	<u>\$ 15,056</u>	<u>\$ 2,251</u>	<u>\$ 626,460</u>	<u>\$ 643,767</u>

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.

Table 4. Corporation for National and Community Service
National Service Trust Schedule of Operations through the Quarter Ended
September 30, 2012 *(dollars in thousands)*

	Recovery Act	Trust FEMA Corps	General Fund	Consolidated
Revenues				
Appropriations	\$ -	\$ -	\$ 207,561	\$ 207,561
Transfer in of Program Funds	-	-	4,355	4,355
Interest	12	-	4,422	4,434
Other Revenue	-	2,251	435	2,686
Total Revenues	<u>12</u>	<u>2,251</u>	<u>216,773</u>	<u>219,036</u>
Expenses				
Service Award Expense	-	-	218,423	218,423
Write off/Recovery of Receivables	-	-	441	441
Total Expenses	<u>-</u>	<u>-</u>	<u>218,864</u>	<u>218,864</u>
Excess of Revenues Over Expenses	<u>12</u>	<u>2,251</u>	<u>(2,091)</u>	<u>172</u>
Net Position				
Excess of Revenues Over Expenses	12	2,251	(2,091)	172
Net Position, Beginning of Year	5,461	-	190,943	196,404
Net Position, End of Period	<u>\$ 5,473</u>	<u>\$ 2,251</u>	<u>\$ 188,852</u>	<u>\$ 196,576</u>

Table 5 shows the most significant factors used to calculate Trust obligations on a historical basis. It is important to note that Program Year refers to positions awarded with (although not necessarily filled in) a particular fiscal year's grant funds. For example, a grantee may

receive a grant in Fiscal Year 2011 but not fill all positions until Fiscal Year 2012. All positions related to this grant would be considered Program Year 2011 positions irrespective of the year filled.

Table 5. Factors Affecting the National Service Trust Fund

	Program Year				
	2009	Recovery Act	2010	2011	2012
Member enrollments in the Trust	69,775	13,862	88,357	78,612	28,691
Percent of members who earned an education award	83.5%	82.7%	83.8%	85.4%	76.7%
Percent of earned education awards used	65.7%	62.2%	50.8%	24.7%	18.6%
Weighted average yield to maturity for investments	2.0%	0.25%	1.25%	1.25%	1.25%
Breakout of enrollment by term type:					
Full-time	44%	57%	43%	45%	75%
Part-time	14%	12%	13%	13%	8%
Reduced Part-time	41%	31%	44%	42%	17%

Data excludes FEMA Corps activity

The Program Year data used throughout these tables reflects all enrollments recorded through the reporting period. Prior year enrollment numbers may change slightly from time to time due to corrections or late reporting by grantees. The percentage of members earning an award in Table 5 is calculated by taking the number of members earning an award divided by the total members enrolled, and net of members still earning. For example, in Program Year 2011 there are 78,612 members enrolled in the Trust, of which 13,065 are reported as still earning an award and 55,997 as having earned an award. Therefore the percentage of members who earned an education award is calculated by dividing the number of education awards earned [55,997] by the number of enrolled members who are no longer earning an award [78,612 – 13,065 = 65,547]. Thus the percentage of members who earned an award is 55,997/65,547 or 85.43%. The percentage of earned education awards

used is calculated by taking the dollar amount of education awards used divided by the total amount earned for the Program Year to date. Term type is based on Program Year enrollments to date. The enrollment and award usage data used to compute these factors can be found in Table 8, at the end of this report.

Tables 6 and 7 present information on the budgetary resources and obligations of the Trust, including the Trust Reserve. The schedules present information on a budgetary basis, which represents the accounting used to determine adherence to the Anti-Deficiency Act. CNCS records Trust obligations at the time it awards AmeriCorps State and National grants or at the time it enters into an enforceable agreement with AmeriCorps VISTA and NCCC members.

Table 6. Corporation for National and Community Service
National Service Trust Schedule of Budgetary Activity for the Period Ended
September 30, 2012 *(dollars in thousands)*

Resources	Recovery Act	FEMA Corps	General Fund	Consolidated
Funds Available at October 1	\$ 1,882		\$ 8,945	\$ 10,827
Budgetary Resources				
Fiscal Year Appropriation	-	-	207,561	207,561
Other Actual Collections - Federal	-	2,251	-	2,251
Transfers in of Program Funds	-	-	4,355	4,355
Deobligation Prior Year Positions (net)	-	-	1,765	1,765
Audit Receivables	-	-	435	435
Less: Additions to Trust Reserve	-	-	-	-
Total Budgetary Resources	1,882	2,251	223,061	227,194
Obligations				
Education Awards	-	(2,247)	(191,568)	(193,815)
Interest Forbearance	-	-	(7,523)	(7,523)
Total Obligations	-	(2,247)	(199,091)	(201,338)
Net Change in Commitments				
Education Awards	-	-	(14,927)	(14,927)
Interest Forbearance	-	-	(474)	(474)
Net Change in Commitments	-	-	(15,401)	(15,401)
Funds Available for Obligation	\$ 1,882	\$ 4	\$ 8,569	\$ 10,455

The amounts obligated in the Trust are based on the estimated value of the education benefit, and discounted for the estimated enrollment, earning and usage rate and the time value of money. For Fiscal Year 2012, these factors are the full value of the Segal AmeriCorps Education Award, a 100 percent enrollment rate (which allows for refills), an average earning rate of 84 percent (which ranges from 77 to 86 percent depending on term type), and an average usage rate of 87 percent. Under the Kennedy Serve America Act, awards earned by members over age 55 can be transferred to an eligible beneficiary. Therefore, for budgetary purposes we are projecting that all transferable awards

will eventually be used. For program years 2002 and prior, CNCS uses the actual amounts earned, adjusted for amounts used and the time value of money to determine the obligation. Obligations are periodically adjusted to reflect current earning and usage projections.

A portion of the funds in the Trust is held in reserve and is for use in the event that the estimates used to calculate obligations differ from actual results. The reserve currently totals \$50.197 million (\$46.7 million for the General Fund and \$3.5 million for the Recovery Act Fund). To date, no reserve funds have been used.

Table 7. Corporation for National and Community Service
National Service Trust Schedule of Trust Obligations as of September 30, 2012
(dollars in thousands)

Resources	Recovery Act	Trust FEMA Corps	General Fund	Consolidated
Fund Balance with Treasury	\$ 149	\$ 251	\$ 4,551	\$ 4,951
Investments, Net	14,907	2,000	620,600	637,507
Interest Receivable	-	-	1,058	1,058
Accounts Receivable	-	-	251	251
Subtotal	15,056	2,251	626,460	643,767
Less:				
Cumulative Trust Reserve	(3,500)	-	(46,697)	(50,197)
Receivables Not Available for Obligation	(7)	-	(3,231)	(3,238)
Total Resources	11,549	2,251	576,532	590,332
Unliquidated Obligations				
Education Awards	(9,539)	(2,160)	(537,299)	(548,998)
Interest Forbearance	(128)	(87)	(14,380)	(14,595)
President's Freedom Scholarships	-	-	(883)	(883)
Total Unliquidated Obligations	(9,667)	(2,247)	(552,562)	(564,476)
Commitments				
Education Awards	-	-	(14,927)	(14,927)
Interest Forbearance	-	-	(474)	(474)
Total Commitments	-	-	(15,401)	(15,401)
Funds Available for Obligation	\$ 1,882	\$ 4	\$ 8,569	\$ 10,455

Enrollment Activity

Table 8 presents cumulative data to date on Trust enrollments, education awards earned and used for Program Years 1994 through 2012 as well as Recovery Act positions.

Table 8. Trust Enrollment Activity—Program Years 1994 through 2012

Program Year	Type	Members Enrolled	Members		Did Not Earn	Amount Earned	Amount Used
			Earning or Not Exited	Earned an Award			
1994	Full-time	15,331	0	11,463	3,868	\$48,266,389.19	\$35,310,366.87
	Part-time	6,264	0	4,172	2,092	\$8,988,028.17	\$6,694,416.79
	Reduced Part-time	2,814	0	2,432	382	\$2,467,981.29	\$1,748,637.74
	Total	24,409	0	18,067	6,342	\$59,722,398.65	\$43,753,421.40
1995	Full-time	17,551	0	13,563	3,988	\$61,095,280.87	\$46,175,514.17
	Part-time	6,850	0	4,362	2,488	\$9,551,027.13	\$6,944,709.87
	Reduced Part-time	577	0	493	84	\$481,481.98	\$349,740.58
	Total	24,978	0	18,418	6,560	\$71,127,789.98	\$53,469,964.62
1996	Full-time	17,634	0	13,319	4,315	\$60,762,700.91	\$47,455,789.27
	Part-time	6,942	0	4,467	2,475	\$10,085,197.90	\$7,157,131.16
	Reduced Part-time	593	0	505	88	\$499,514.66	\$394,179.93
	Total	25,169	0	18,291	6,878	\$71,347,413.47	\$55,007,100.36
1997	Full-time	23,259	0	17,294	5,965	\$79,318,854.34	\$62,492,739.88
	Part-time	12,832	0	7,083	5,749	\$15,939,868.60	\$11,712,827.10
	Reduced Part-time	3,677	0	2,975	702	\$2,904,130.87	\$2,315,198.17
	Total	39,768	0	27,352	12,416	\$98,162,853.81	\$76,520,765.15
1998	Full-time	24,749	0	17,903	6,846	\$82,264,571.93	\$65,310,919.96
	Part-time	11,156	0	6,208	4,948	\$14,031,027.14	\$10,221,261.34
	Reduced Part-time	5,101	0	3,829	1,272	\$3,799,775.12	\$3,002,711.80
	Total	41,006	0	27,940	13,066	\$100,095,374.19	\$78,534,893.10
1999	Full-time	23,294	0	17,016	6,278	\$78,324,396.27	\$62,154,806.61
	Part-time	11,333	0	6,915	4,418	\$15,636,042.42	\$11,226,489.84
	Reduced Part-time	7,260	0	5,862	1,398	\$6,095,874.28	\$4,841,701.83
	Total	41,887	0	29,793	12,094	\$100,056,312.97	\$78,222,998.28
2000	Full-time	26,203	0	19,082	7,121	\$87,921,306.62	\$69,539,802.42
	Part-time	13,213	0	8,453	4,760	\$19,404,182.70	\$13,696,839.52
	Reduced Part-time	13,619	0	10,272	3,347	\$10,645,579.77	\$8,522,513.48
	Total	53,035	0	37,807	15,228	\$117,971,069.09	\$91,759,155.42
2001	Full-time	29,455	0	22,600	6,855	\$104,409,272.45	\$82,677,357.22
	Part-time	13,834	0	8,884	4,950	\$20,165,005.40	\$13,857,320.84
	Reduced Part-time	15,827	0	12,470	3,357	\$12,967,902.89	\$9,911,073.87
	Total	59,116	0	43,954	15,162	\$137,542,180.74	\$106,445,751.93
2002	Full-time	28,139	0	23,172	4,967	\$107,730,673.73	\$87,632,425.99
	Part-time	9,427	0	6,478	2,949	\$14,859,278.64	\$10,256,610.63
	Reduced Part-time	10,842	0	8,118	2,724	\$9,300,854.33	\$7,263,923.97
	Total	48,408	0	37,768	10,640	\$131,890,806.70	\$105,151,960.59

Table 8. Trust Enrollment Activity—Program Years 1994 through 2012 *(continued)*

Program Year	Type	Members Enrolled	Members Earning or Not Exited	Earned an Award	Did Not Earn	Amount Earned	Amount Used
2003	Full-time	18,319	0	15,236	3,083	\$70,063,810.06	\$55,934,642.19
	Part-time	9,424	0	7,063	2,361	\$16,283,881.70	\$11,512,864.51
	Reduced Part-time	13,272	0	10,590	2,682	\$12,084,613.06	\$9,179,801.25
Total		41,015	0	32,889	8,126	\$98,432,304.82	\$76,627,307.95
2004	Full-time	29,043	0	24,365	4,678	\$113,193,761.73	\$93,477,949.87
	Part-time	10,833	0	7,614	3,219	\$17,514,510.62	\$12,242,251.29
	Reduced Part-time	22,779	0	17,992	4,787	\$20,763,252.88	\$16,094,947.11
Total		62,655	0	49,971	12,684	\$151,471,525.23	\$121,815,148.27
2005	Full-time	28,301	0	23,084	5,217	\$107,103,981.89	\$84,711,932.87
	Part-time	11,132	0	7,809	3,323	\$17,968,525.35	\$12,501,507.75
	Reduced Part-time	23,365	0	18,084	5,281	\$20,338,612.06	\$15,087,020.10
Total		62,798	0	48,977	13,821	\$145,411,119.30	\$112,300,460.72
2006	Full-time	30,387	0	25,165	5,222	\$116,948,260.23	\$89,471,824.48
	Part-time	11,619	0	8,199	3,420	\$18,935,740.46	\$12,706,805.33
	Reduced Part-time	27,255	1	21,001	6,253	\$23,833,568.30	\$17,395,361.25
Total		69,261	1	54,365	14,895	\$159,717,568.99	\$119,573,991.06
2007	Full-time	30,906	0	26,184	4,722	\$121,975,658.01	\$93,315,578.75
	Part-time	10,137	0	7,367	2,770	\$17,027,260.29	\$11,316,065.75
	Reduced Part-time	26,943	0	21,366	5,577	\$24,309,300.61	\$17,449,413.75
Total		67,986	0	54,917	13,069	\$163,312,218.91	\$122,081,058.25
2008	Full-time	32,366	1	28,177	4,188	\$131,691,166.71	\$96,147,881.05
	Part-time	10,678	4	8,109	2,565	\$18,833,614.88	\$11,958,638.49
	Reduced Part-time	27,008	2	21,877	5,129	\$24,991,095.16	\$17,186,971.39
Total		70,052	7	58,163	11,882	\$175,515,876.75	\$125,293,490.93
2009	Full-time	31,034	23	27,314	3,697	\$127,686,952.83	\$85,293,978.77
	Part-time	9,877	134	7,521	2,222	\$17,461,883.56	\$10,159,079.15
	Reduced Part-time	28,864	25	23,293	5,546	\$26,469,941.52	\$17,313,627.64
Total		69,775	182	58,128	11,465	\$171,618,777.91	\$112,766,685.56
Recovery Act	Full-time	7,907	0	6,654	1,253	\$31,013,381.18	\$19,458,873.01
	Part-time	1,662	0	1,221	441	\$2,818,344.40	\$1,533,463.56
	Reduced Part-time	4,293	0	3,592	701	\$4,186,392.62	\$2,658,866.81
Total		13,862	0	11,467	2,395	\$38,018,118.20	\$23,651,203.38

Table 8. Trust Enrollment Activity—Program Years 1994 through 2012 *(continued)*

Program Year	Type	Members Enrolled	Members Earning or Not Exited	Earned an Award	Did Not Earn	Amount Earned	Amount Used
2010	Full-time	37,719	102	33,234	4,383	\$175,366,178.35	\$89,519,313.43
	Part-time	11,425	398	8,544	2,483	\$22,330,065.75	\$9,695,361.82
	Reduced Part-time	39,213	368	31,535	7,310	\$38,513,204.32	\$20,742,722.02
Total		88,357	868	73,313	14,176	\$236,209,448.42	\$119,957,397.27
2011	Full-time	35,637	4,103	27,591	3,943	\$149,608,693.92	\$37,112,248.14
	Part-time	10,286	2,980	5,753	1,553	\$15,360,779.94	\$2,590,914.06
	Reduced Part-time	32,689	5,982	22,653	4,054	\$29,157,019.73	\$8,166,004.39
Total		78,612	13,065	55,997	9,550	\$194,126,493.59	\$47,869,166.59
FEMA Corps 2012	Full-time	480	461	0	0	\$0.00	\$0.00
2012	Full-time	21,388	20,163	580	658	\$3,030,995.08	\$490,691.48
	Part-time	2,343	2,324	0	19	\$0.00	\$0.00
	Reduced Part-time	4,960	3,093	1,806	61	\$2,121,996.21	\$469,673.45
Total		28,691	25,580	2,386	738	\$5,152,991.29	\$960,364.93
*Cumulative to Date		1,010,840	39,703	759,963	211,817	\$2,426,902,643.01	\$1,671,762,285.76

*Excludes FEMA Corps activity

Improper Payments

Like all federal agencies, CNCS is responsible for complying with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). IPERA requires agencies to evaluate their programs and activities at least once every 3 years to determine which programs or activities are susceptible to improper payments.¹ For any program or activity determined to be susceptible to significant improper payments,² IPERA and its implementing Office of Management and Budget (OMB) guidance requires agencies to:

- Produce a statistically valid estimate of the improper payments made by each program or activity in their agencies.
- Include such estimates in their annual financial statements.
- Report on actions to recover improper payments.

In Fiscal Year 2011, CNCS reported to OMB it had conducted an assessment of its programs and activities, and had determined that none were susceptible to significant improper payments under the IPERA criteria.

CNCS also reported to OMB that it would engage a contractor to assist with a review of CNCS programs to assess the relative levels of risk of improper payments, and conduct detailed statistical analysis of payments within those programs. CNCS stated that it would use the results of the analyses to strengthen its internal controls, and to help identify programs and activities where payment recapture audits could prove to be cost-effective.

The initial assessment identified the following ranking of the relative levels of risk³ for possible improper payments:

- National Service Trust
- AmeriCorps VISTA
- AmeriCorps State and National
- National Senior Service Corps
- AmeriCorps NCCC

The final detailed statistical analysis of payments under these programs will be completed in Fiscal Year 2013. In accordance with IPERA and OMB's guidance, CNCS will use the results of these analyses and other risk-based factors to conduct a new periodic review of whether any CNCS' programs or activities meet the IPERA criteria of being susceptible to significant improper payments. CNCS will also use the full results of these reviews (along with other relevant factors) to determine whether it would be cost-effective to initiate specific cost recovery audits in programs or activities which are not susceptible to significant improper payments. CNCS will report on the results of these analyses in its Fiscal Year 2013 Agency Financial Report.

¹ IPERA defines an improper payment as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible service, any duplicate payment, payments for services not received, any payment that does not account for applicable discounts, or any amount that should have been paid to an eligible recipient but was not. OMB guidance also states that when an agency's review is unable to discern whether a payment is proper as a result of insufficient or lack of documentation, this payment must also be considered improper.

² For Fiscal Year 2012, IPERA and its implementing OMB guidance define "significant improper payments" as annual overpayment amounts plus underpayment amounts in a program that exceeds both 2.5% of total program outlays and \$10,000,000.

³ It should be noted that this was only a relative ranking. The results of the analysis did not alter CNCS' conclusion that none of its programs meet the IPERA criteria of being susceptible to significant improper payments.

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