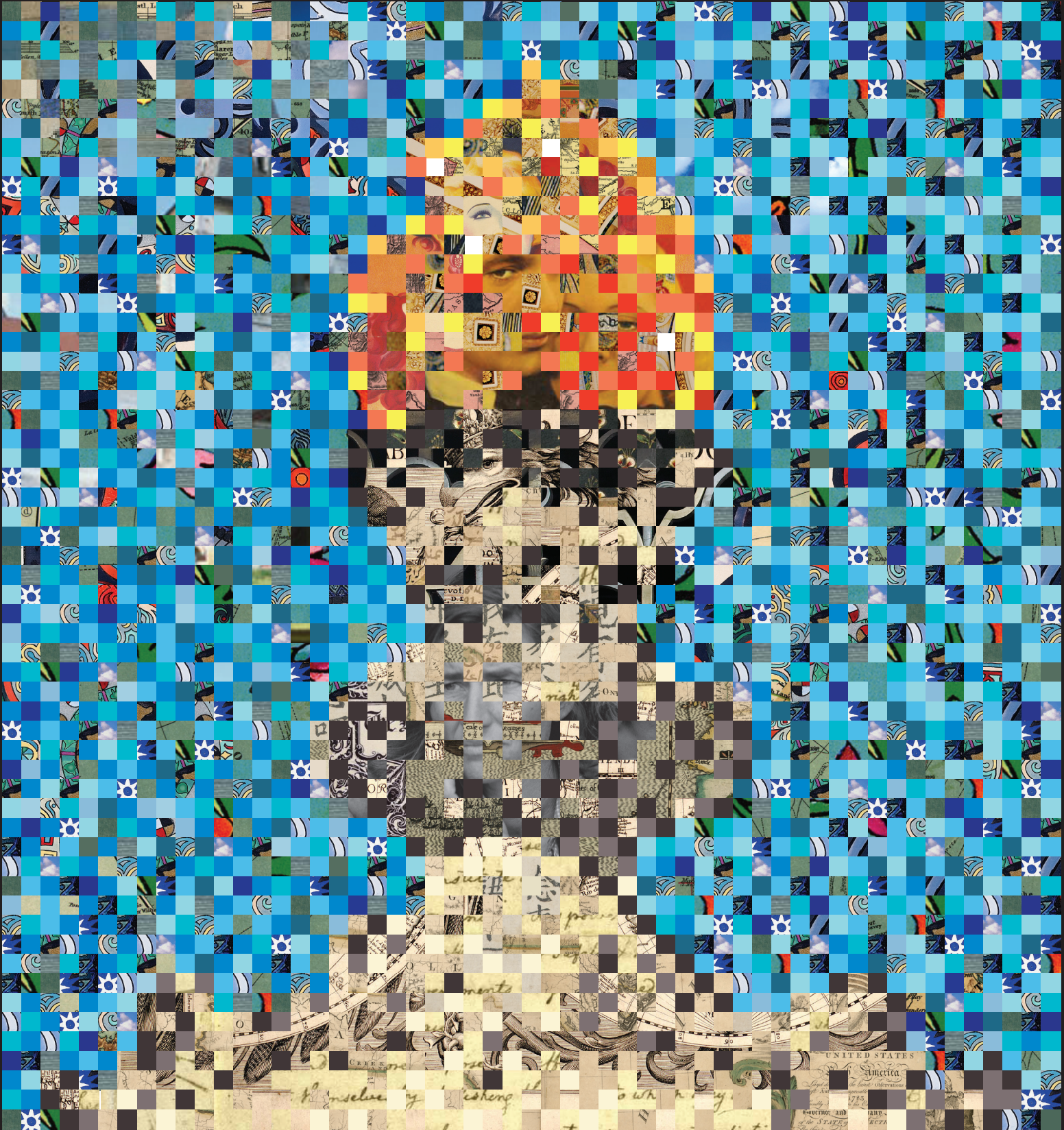


# FINANCIAL STATEMENTS

FISCAL 2010



LIBRARY OF CONGRESS MARCH 2011



THE LIBRARIAN OF CONGRESS

The President of the Senate  
The Speaker of the House of Representatives

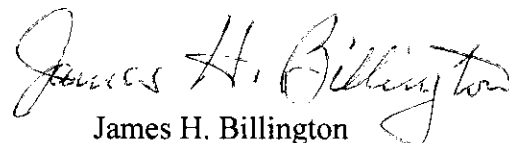
Mr. President and Mr. Speaker:

It is my pleasure to submit to you the Library's fiscal year 2010 financial statements and accompanying opinion of the independent auditors, Kearney and Company, P.C. For the fifteenth consecutive year, the independent auditors have issued an unqualified "clean" opinion of the Library's consolidated financial statements.

The net cost of the Library's six major programs totals \$803 million, including \$102.7 million in costs incurred by four other agencies (i.e., Architect of the Capitol, Government Printing Office, United States Capitol Police and the Office of Personnel Management) in support of the Library's programs. The net cost also includes \$137.1 million in earned revenue from copyright registration fees, cataloging distribution sales, and other fee-based and reimbursable programs.

I am prepared to respond to any questions you may have on the 2010 financial statements and auditors' opinion.

Sincerely,

  
James H. Billington  
The Librarian of Congress

**THE LIBRARY OF CONGRESS**  
**Financial Statements for Fiscal Year 2010**

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# THE LIBRARY OF CONGRESS

## Management's Discussion and Analysis

Fiscal Year Ended September 30, 2010

### Introduction

The Management's Discussion and Analysis (MDA) is designed to provide a high level overview of the Library: who we are, what we do, and how we accomplished our mission during fiscal year 2010.

### The Library of Congress and Its Mission

The Library of Congress, an agency in the legislative branch of the government, is the world's largest and most comprehensive library, managing 92 collections – many of them having unique and irreplaceable items – in more than 470 languages. It directly serves not only the Congress, but also the entire nation with the most important commodity of our time: information.

The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

### Strategic Plan

The Strategic Plan contains five discrete institution-wide strategic goals: *Content, Customers, Outreach, Organization and Workforce*. Through its strategic plan, the Library of Congress charts a course for achieving measurable results and codifies its accountability to the American public and their elected representatives.

The strategic plan's goals not only set broad outcomes that each of the ten major organizations relate to, but also establish broad strategies to be followed and define performance indicators to determine progress toward achieving the goals and outcomes. Supported by a rigorous annual program performance planning process, and regular program performance assessment reviews, the strategic plan ensures Library organizations are all working toward common ends and provides the background guidance for the Library's annual Congressional Budget Justification requests.

During fiscal year 2010 the Library worked to develop the Library's new Strategic Plan. Along with a new mission and more intuitive structure, the plan includes result statements and related annual objectives that will be implemented beginning fiscal year 2011.

### Brief History

At the dawn of the 19<sup>th</sup> century, the American Republic was still little more than a bold experiment. Barely a decade removed from the establishment of constitutional democracy, our lasting future as a nation was not yet assured and our national character was only beginning to emerge.

It was in this context that the U.S. Congress created what would become one of the greatest and most distinctly American institutions. Mindful of the link between an informed people and functional governance, the Congress in 1800 established the Library of Congress by appropriating \$5,000 to purchase a collection of 740 books and three maps.

President Thomas Jefferson would make early and indelible contributions to the growing Library, signing a law in 1802 defining the institution's roles and functions, creating the first joint congressional committee (the Joint Committee on the Library) and establishing the position of Librarian of Congress.

After the British burned the Capitol during the War of 1812, destroying the Library's collection of some 3,000 volumes, it was Jefferson who again would help ensure that the Library of Congress would endure as a central contributor to American democracy, culture and intellect. Accepting the now-retired president's offer to "recommence" the Library, the Congress in 1815 purchased Jefferson's 6,487-volume personal collection (then the finest in America) at a price of \$23,950. It contained books in many languages and on a wide variety of topics, reflecting Jefferson's belief that there was "no subject to which a Member of Congress might not have occasion to refer."

While its origins were humble, six key milestones in the Library's early decades significantly expanded its scope and reach:

- The establishment of the Law Library in 1832 as the first department of the Library of Congress recalled the Library's origins as a collection of law books to support the legislative work of the Congress. The Law Library remains the only source for the Congress for research and reference services in foreign, comparative, and international law.
- The Copyright Law of 1870 centralized the nation's copyright functions in the Library and stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of music registered for copyright in the United States be deposited in the Library. The law reflected Jefferson's aspirations for the Library as a universal repository of knowledge.
- In 1886, the Congress authorized the first separate Library of Congress building to contain openly accessible reading rooms and exhibition space for the general public. In 1897, the Thomas Jefferson Building officially opened to the public.
- In 1902, the Congress authorized the Library to sell copies of its cataloging records inexpensively to the nation's libraries, thus substantially subsidizing the entire American library system.
- In 1914 the Congress created the Legislative Reference Service (LRS) as a separate entity within the Library to provide specialized services to "Congress and committees and Members thereof." Additional laws enhanced its mission in 1946 and 1970, when it was renamed the Congressional Research Service.
- In 1931, the Congress established a program in the Library to create and supply free library materials to blind and physically handicapped readers throughout the country.

In addition, Congress since the mid-1970s has statutorily created 10 programs that have further enhanced the Library's national role.

- American Folklife Center (1976)
- American Television and Radio Archives (1976)
- National Center for the Book (1977)
- National Film Preservation Board (1988)
- National Film Preservation Foundation (1996)
- Cooperative Acquisitions Program Revolving Fund (1997)
- Sound Recording Preservation Board and Foundation (2000)
- Three revolving funds for fee services (2000)
- National Digital Information Infrastructure and Preservation Program (NDIIPP) (2000)
- Digital Collections and Educational Curricula Program (2005)

Of these programs, the NDIIPP was the most ambitious, as Congress tasked the Library with developing a plan and leading an effort to ensure that important digital materials can be preserved for our national information reserve. The NDIIPP program demonstrates the foresight of the Congress in its imperative to preserve critical data that typically exists in an unstable and transient environment.

## The Library of Congress Today

Today, as the Library of Congress advances further into its third century, there is still no more fitting a symbol of its vision and aspirations than the Library's 1897 building that bears Jefferson's name. Constructed as a projection of American optimism near the turn of the 20<sup>th</sup> century, the Thomas Jefferson Building is resplendent with iconography and written inspirations that describe the Library's past and, more importantly, guide its future.

The gilded Torch of Knowledge surmounts the building, while directly beneath on the underside of the dome is the mural Human Understanding, embodied by a woman removing the veil of ignorance from her eyes. Below the dome is the magnificent Main Reading Room, which was the Library's original means of providing the information that is critical to an informed citizenry.

As the Library of Congress extends its reach in the modern era, an information revolution is empowering not just countries and companies, but also individuals in the farthest reaches of the globe. Our mission remains the same, but it is more important than ever when set against a landscape of dynamism and intense international competition.

In his June 2005 testimony to Congress, Librarian of Congress James H. Billington said: "Libraries are inherently islands of freedom and antidotes to fanaticism. They are temples of pluralism where books that contradict one another stand peacefully side by side on the shelves, just as intellectual antagonists work peacefully next to each other in reading rooms."

Those words hearken back to the Library's early days and Thomas Jefferson's vision of a society wherein the widest variety of information was readily available to the greatest possible number of people. "I feel . . . an ardent desire," Jefferson said, "to see knowledge so disseminated through the mass of mankind that it may, at length, reach even the extremes of society; beggars and kings." (*Thomas Jefferson: Reply to the American Philosophical Society, 1808.*)

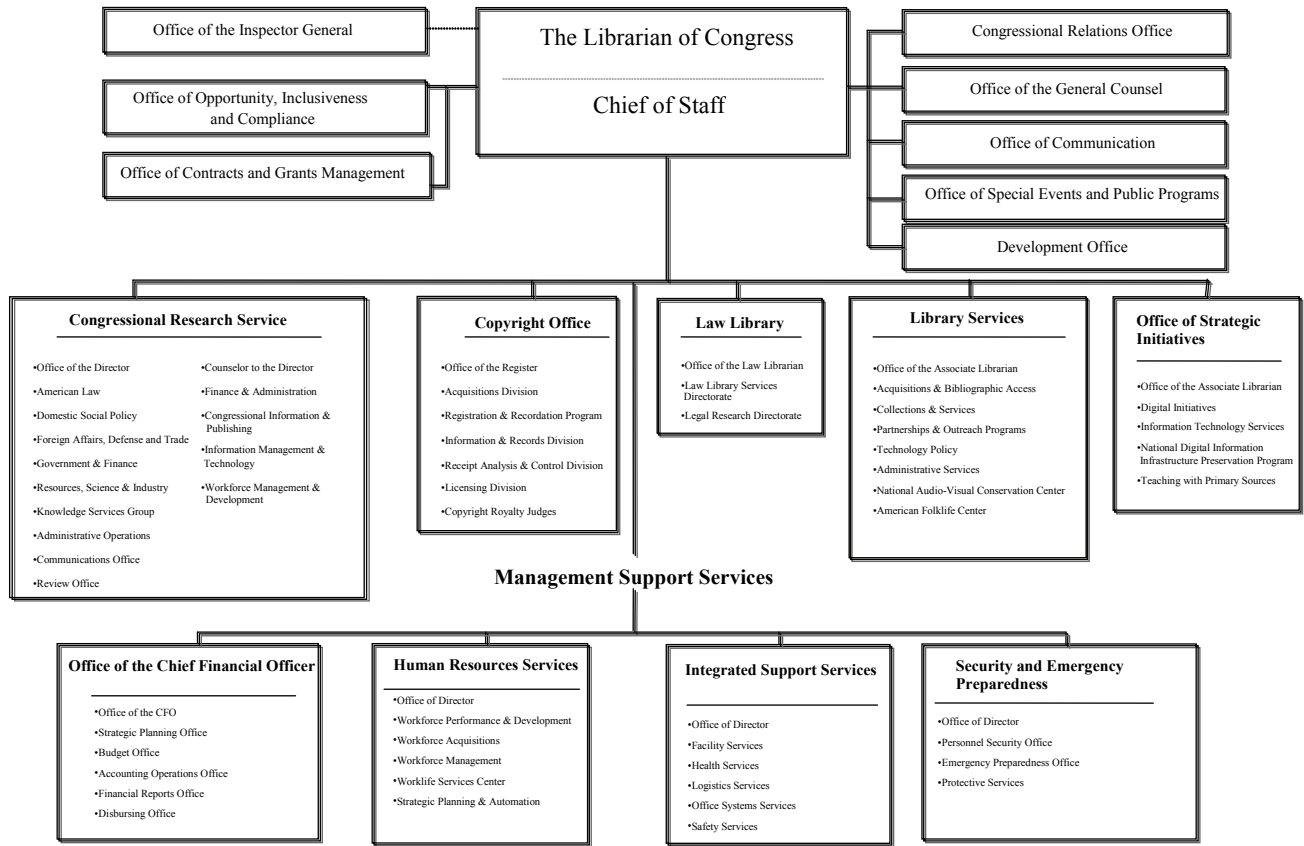
Through its strategic plan, the Library of Congress will be accountable to the American public and their elected representatives, and measured by the results that are achieved. We seek nothing less than to be ardent champions furthering the cause of human understanding and wisdom.

Past, present and future, the Library of Congress endeavors to remain the preeminent repository of information on a global scale, an inspiration to future generations, and a celebrant of achievement—a Torch of Knowledge that continues as a shining beacon for all the world.

The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. The Chief of Staff manages the day-to-day operations through five service units and an enabling infrastructure (see organizational chart).

The Library's programs and activities are primarily funded by four salaries and expenses (S&E) appropriations (the National and Law Library Services, Copyright administration, Congressional Research Service, and Books for the Blind and Physically Handicapped), receipts from offsetting collections (Copyright registrations, Cataloging Distribution Service fees and Law Library Global Legal Information Network (GLIN) receipts), revolving fund (business-like) income, donations and investment income.





Library Services includes the National Library Service for the Blind and Physically Handicapped (within Partnerships and Outreach Programs); program costs are reported under the National Library Program.

The Office of Strategic Initiatives includes Information Technology Services; program costs are reported under the National Library Program and infrastructure costs are allocated.

## Overview of Financial Statements

For fiscal years 2010 and 2009, the Library has prepared Consolidated Balance Sheets, Consolidated Statements of Net Costs, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources.

### Consolidated Balance Sheets

The purpose of the consolidated balance sheet is to provide financial statement users with information about the Library's assets, liabilities, and net position as of September 30, 2010 and 2009. In accordance with generally accepted accounting principles for federal government entities, the value of the Library's collections (our largest asset) is not calculated and reported with a monetary value. Instead, the Library reports unit measurement, mission and acquisition information in the financial statement notes (see Section 2), and provides other relevant information about their use, preservation, security, etc. in supplemental information (see Section 3). The Library's Net Position consists of: (1) the portion of the Library's appropriations that are unexpended; and (2) the cumulative balances of gift, trust, revolving and reimbursable funds.

(in millions)

Assets	FY 2010	FY 2009
Entity Assets	\$ 578.8	\$ 569.7
<b>Total Assets</b>	<b>\$ 578.8</b>	<b>\$ 569.7</b>
Liabilities and Net Position	FY 2010	FY 2009
Liabilities Covered by Budgetary Resources	\$ 126.4	\$ 120.8
Liabilities Not Covered by Budgetary Resources	\$ 35.6	34.0
<b>Total Liabilities</b>	<b>\$ 162.0</b>	<b>\$ 154.8</b>
Net Position	416.8	414.9
<b>Total Liabilities and Net Position</b>	<b>\$ 578.8</b>	<b>\$ 569.7</b>

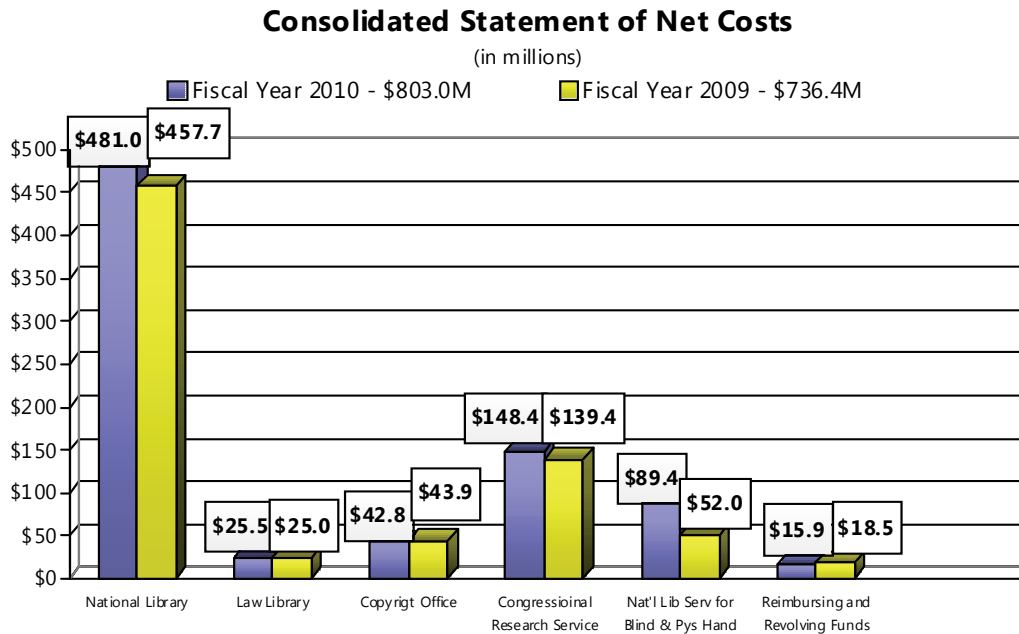
The Library's assets total \$578.8 million for fiscal year 2010 and \$569.7 million for fiscal year 2009. Entity assets increased by \$9.1 million during fiscal year 2010 primarily due to an increase in the market value of Library investments and pledges receivable. The Library's liabilities total \$162.0 million and \$154.8 million for fiscal years 2010 and 2009, respectively. Significant liabilities include funds advanced from other governmental agencies for the FEDLINK and other intra-governmental revolving fund programs and accounts payable for various operating expenses.

In general, the accompanying Balance Sheets do not include the acquisition and improvement costs of the Library's buildings and grounds. By law, these buildings and grounds are under the structural and mechanical care of the Architect of the Capitol.

**Consolidated Statements of Net Costs**

The purpose of the Consolidated Statements of Net Costs is to provide financial statement users with information about the costs and earned revenues for the Library's six programs for the fiscal years ended September 30, 2010 and 2009. In other words, the statements present the net costs of our programs \$803.0 million and \$736.4 million for the fiscal years 2010 and 2009, respectively. Net costs include allocated management support costs (e.g., human resources, financial services, facility services).

The net costs for each of the Library's six programs are:





**National Library** - With net program costs of \$481.0million and \$457.7 million for fiscal years 2010 and 2009, respectively, National Library is the Library's largest program and is responsible for the traditional library activities of acquisitions, cataloging, research and reference, and preservation.

National Library manages the following programs and services:

**Acquisitions** – Each year the Library acquires more than two million new items in all formats for addition to its priceless collections, which are the largest and most wide-ranging of any library in the world. The collections, and the information they contain, are the foundation for the many services the Library provides to the Congress and the nation.

**Cataloging** – The Library produces bibliographic records, standards, and related products for the Library as well as for libraries and bibliographic utilities in all fifty states and territories and many other countries.

**Research and Reference** – The Library makes available to scholars and other researchers vast information resources, many of which are unique, covering almost all formats, subjects, and languages. The Library provides reference assistance to researchers and the general public, conducts field research, and promotes the preservation of American culture throughout the United States. The Library responds to nearly 483,000 information requests a year from across the nation, including nearly 162,000 in person in the reading rooms open to the public in Washington. In addition, the Library responds to approximately 58,400 free interlibrary loan requests from across the nation and 35,700 requests for book loans from the Congress each year.

**Online Access Services** – The Library provides free online access via the Internet to its automated information files, which contain records – to Congressional offices, federal agencies, libraries, schools, and the public. Internet-based systems include three World Wide Web (WWW) services (e.g., THOMAS, [www.loc.gov](http://www.loc.gov)), the Library of Congress Online Public Access Catalog (<http://catalog.loc.gov>), and various file transfer options.

**American Creativity** – The Library manages the nation's largest, most varied, and most important archival collection of American creativity including motion pictures, sound recordings, maps, prints, photographs, manuscripts, music, and folklore covering a wide range of ethnic and geographic communities.

**Preservation** – The Library manages a continuing program to preserve and extend the life of the diverse materials and formats in the Library's collections. The program provides a full range of prospective and retrospective preservation treatment for hundreds of thousands of items a year; conducts research into new technologies; emphasizes preservation techniques including proper environmental storage and training for emergency situations; conserves and preserves materials; and reformats materials to more stable media. The Library plays a key role in developing national and international standards that support the work of federal, state, and local agencies in preserving the nation's cultural heritage.

**Reading Promotion and Outreach** – The Library promotes books, reading, and literacy through the Library's Center for the Book, its affiliated centers in 50 states and the District of Columbia, and more than 80 national organizational partners. The Library encourages knowledge and use of its collections through other outreach programs (cable TV, lectures, publications, conferences and symposia, exhibitions, poetry readings – all primarily supported by private funding) and through use of the Library's home page on the World Wide Web. The Library also gives surplus books annually to qualified libraries and nonprofit educational institutions through its nationwide donation program. Finally, the tenth National Book Festival was held on September 25, 2010, on the National Mall and set a new attendance record with an estimated 150,000 attendees.

**Digital Initiatives** – The Library oversees and coordinates cross-institutional digital initiatives, including the NDIIPP, thereby ensuring access over time to a rich body of digital content through the establishment of a national network of committed partners, collaborating in a digital preservation architecture with defined roles and responsibilities.

**Law Library** – The Law Library of Congress, with net program costs of \$25.5 and \$25.0 million for fiscal years 2010 and 2009, respectively, provides direct research service to the Congress in foreign, international, and comparative law. In addition to Members, Committees of the Congress and the Congressional Research Service, the

Law Library provides officers of the legislative branch, Justices of the Supreme Court and other judges, members of the Departments of Homeland Security, State and Justice, and myriad other federal agencies with bibliographic and informational services, background papers, comparative legal studies, legal interpretations, expert testimony, and translations. As its congressional priorities permit, the Law Library makes its collections and services available to a diverse community of users, including members of the bench and bar, educational institutions, nongovernmental libraries, legal service organizations, the diplomatic corps, international organizations, the business community, and the general public.

**Copyright Office (including the Copyright Royalty Board)** – The Copyright Office (COP), with net program costs of \$42.8 million and \$43.9 million for fiscal years 2010 and 2009, respectively, administers the U.S. copyright laws, provides copyright policy analysis to the Congress and executive branch agencies, actively promotes international protection for intellectual property created by U.S. citizens, and provides public information and education on copyright. In fiscal year 2010, the COP registered 636,527 claims to copyright; transferred 814,243 works to the Library; recorded 8,985 documents containing more than 294,000 titles; logged approximately 24,015,000 page views on its web site; and responded to 315,886 in-person, telephone and e-mail requests for information. The Copyright Royalty Board (CRB), composed of three Copyright Royalty Judges and their staff under the aegis of the Librarian of Congress, directed distribution of hundreds of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law, and adjusts the royalty rates of these license provisions. Registration fees and authorized deductions from royalty receipts fund almost half of the COP. Copies of works received through the copyright system form the core of the Library's immense Americana collections, which provide the primary record of American creativity.

**Congressional Research Service** – The Congressional Research Service (CRS), with net program costs of \$148.4 and \$139.4 million for fiscal years 2010 and 2009, respectively, provides non-partisan analytical research and information services to all Members and committees of the Congress. CRS assists the Congress with its deliberations and legislative decisions by providing objective, authoritative, non-partisan, and confidential research and analysis. Serving Congress exclusively, CRS experts work alongside the Congress at all stages of the legislative process and provide integrated and interdisciplinary analysis and insights in all areas of policy interest. CRS support takes the form of reports, tailored confidential memoranda, individual consultations and briefings, and formal seminars.

**National Library Service for the Blind and Physically Handicapped (NLS/BPH)** – The NLS/BPH, which is part of Library Services, manages a free national reading program for blind and physically handicapped people – circulating approximately 26.7 million items a year at no cost to users. This program consists of three segments:

1. The Library of Congress selects and produces full-length books and magazines in Braille and on recorded disc and cassette and contracts for the production of talking book machines. The NLS/BPH's fiscal years 2010 and 2009 net program costs for this segment were \$89.4 and \$52.0 million, respectively.
2. A cooperating network of regional and subregional (local) libraries distribute the machines and library materials provided by the Library of Congress.
3. The U.S. Postal Service receives an appropriation to support postage-free mail for magazines, books, and machines, which are sent directly to readers. Reading materials (books and magazines) and playback machines are sent to a total readership of 588,220 audio and Braille readers registered individually, in addition to 259,536 eligible individuals located in institutions.

**Revolving and Reimbursable Funds** – Under the authority of 2 U.S.C. 182, the Library operates the Cooperative Acquisitions Program revolving fund, the revolving fund for duplication services associated with the Packard Campus for Audio-Visual Conservation, the revolving fund for gift shop, decimal classification, photo duplication, special events and public programs and related services, and the revolving fund for the Federal Library and Information Network (FEDLINK) program and Federal Research program. 2 U.S.C. 182 was amended in fiscal year 2003 to authorize the Library's special events and programs activities under the revolving fund statute. Through these activities, the Library is able to further its programs dealing with the acquisition of library materials, reader and reference services, and support for public programs. The Library also provides reimbursable accounting services for five legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the

Office of Compliance, the Abraham Lincoln Bicentennial Commission, the Open World Leadership Center, and the United States Capitol Police).

After reflecting earned revenues of \$94.3 and \$83.4 million in fiscal years 2010 and 2009, respectively, reimbursable and revolving fund net program costs totaled \$15.9 and \$18.5 million, respectively. The net program costs were the result of the elimination of \$7.3 and \$7.4 million of intra-Library net revenues, \$9.0 and \$10.1 million in allocated administrative overhead, \$2.2 and \$2.0 million for both fiscal years in imputed inter-governmental costs (e.g., employee benefits) not recovered by fees charged by the revolving funds for fiscal years 2010 and 2009, respectively.

General descriptions of major revolving fund activities are:

**Cooperative Acquisitions Program** – The Cooperative Acquisitions Program, which is operated by the Library's six overseas field offices, acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. Earned revenues were \$2.9 million for fiscal year 2010 and \$2.9 million for fiscal year 2009.

**Duplication Services** – Duplication Services provides preservation services for the Library's audio and visual collections, and products are also produced for sale to the general public. Earned revenues for fiscal years 2010 and 2009 were \$0.1 million and \$0.1 million, respectively.

**Gift Shop, Decimal Classification, Document Reproduction and Microfilm Services, Special Events and Programs and related services** – This revolving fund provides for the operation of a gift shop or other sales of items associated with collections, exhibits, performances, and special events of the Library of Congress; decimal classification development services; the preservation and microfilming services for the Library's collections and reproduction services to other libraries, research institutions, government agencies, and individuals in the United States and abroad; and the hosting of special events and programs by corporate and non-profit entities that support the Library's mission. Earned revenues were \$6.1 million and \$5.8 million in fiscal years 2010 and 2009, respectively, and intra-Library transactions of \$1.3 million and \$1.2 million were eliminated during consolidation.

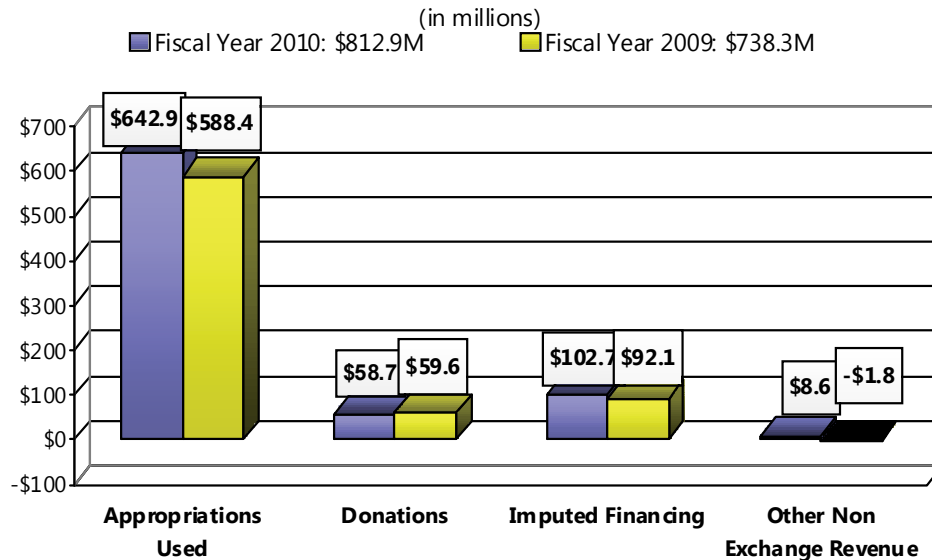
**The FEDLINK program and Federal Research program (FRP)** – FEDLINK serves federal libraries and information centers as their purchasing, training and resource-sharing consortium. As the Federal Library and Information Center Committee (FLICC) business subsidiary, the program provides cost effective access to an array of automated information and retrieval, print serials, books, electronic publications and preservation services. FEDLINK contracts with more than 130 major vendors to provide services to federal offices participating in the program, saving the offices in cost avoidance benefits and in vendor volume discounts. FRP provides customized research services that the Library is uniquely able to perform as a result of its collections and the subject and language expertise of its staff. A popular FRP product, available on-line via the Library's home page, is the country study series of books. In fiscal years 2010 and 2009, earned revenues were \$87.9 and \$78.0 million, respectively, and intra-Library transactions of \$1.0 million and \$0.8 million were eliminated during consolidation.

### **Consolidated Statements of Changes in Net Position**

The purpose of the Consolidated Statements of Changes in Net Position is to provide financial statement users with information about the Library's financing sources and the components of the changes in net position. The Library's financing sources totaled \$812.9 million and \$738.3 million for the fiscal years ended September 30, 2010 and 2009, respectively.

### Consolidated Statements of Changes in Net Position

#### Total Financing Sources



The major source of the Library's funding is from Congressional appropriations for five programs: National Library, Law Library, Copyright Office, Congressional Research Service, and National Library Service for the Blind and Physically Handicapped. Appropriations used during the fiscal years ended September 30, 2010 and 2009 totaled \$642.9 and \$588.4 million or 79 and 80 percent for fiscal years 2010 and 2009, respectively, of all financing. Along with appropriations made directly to the Library, other government agencies (i.e., the Architect of the Capitol, the Office of Personnel Management [OPM], Government Printing Office, U.S. Treasury, and U.S. Capitol Police) used Congressional appropriations and other financing sources to provide support for the Library's programs totaling an estimated \$102.7 and \$92.1 million (imputed financing) for fiscal years 2010 and 2009, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$59.9 million and \$58.1 million), employee benefits (\$38.4 million and \$30.9 million), acquisitions exchange services (\$1.2 million and \$2.3 million), legal claims (\$1.8 million and \$0.8 million) and collections security services (\$1.3 million for fiscal year 2010). Other non-exchange revenues are positive and negative for fiscal years 2010 and 2009, primarily due to the unrealized loss or gains on non-treasury investments.

#### Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available, as well as their status at the end of the period. The Budgetary Resources section of the statement presents the total budgetary resources available to the Library. The Status of Budgetary Resources section of the statement presents information about the status of budgetary resources at the end of the period. Finally, the Outlays section presents the total outlays of the Library and relates obligations incurred to total outlays.

The Library's budgetary resources were \$2.1 billion and \$2.3 billion for the fiscal years ended September 30, 2010 and 2009, respectively, of which \$0.7 billion and \$0.6 billion were from appropriated funds and \$1.4 billion and \$1.7 billion were from non-appropriated funds for fiscal years ended September 30, 2010 and 2009, respectively. Total outlays of \$1,838.0 million and \$869.9 million were incurred with the outlays of appropriated funds (\$639.9 million and \$583.4 million) combined with outlays of the non-appropriated funds (\$1.2 billion and \$286.4 million) in fiscal years 2010 and 2009. The increase in non-appropriated outlays is due to a transfer of \$1.2 billion in assets from the Copyright Licensing Fiduciary Special Fund which was in the budget to the Copyright Licensing Fiduciary Deposit Fund which is not in the budget, as authorized by OMB and US Treasury.

## Key Performance Targets and Accomplishments

Continuing the process begun in the fiscal 2009 Budget Justification, the Library used a performance-focused approach toward describing the results we planned to achieve in fiscal 2010. To ensure the proper focus, Library organizations connected their annual plans to the goals and outcomes of *The Library of Congress Strategic Plan, Fiscal Years 2008 - 2013*. The key fiscal 2010 performance targets listed below are grouped by their connection to the Library's five strategic plan goals: Content, Customers, Outreach, Organization, and Workforce. These targets are not an exhaustive list of everything tracked and measured by Library organizations. Instead, they represent a focused selection of management efforts during this year.

**Strategic Plan Goal: Content** – Expand and preserve in accessible form a unified and universal body of knowledge and creativity.

**Performance Target:** Copyright Office (COP) – Increase the number of digitized pre-1978 historical records available online by at least 10 million, by September 30, 2010.

**Accomplishment:** COP digitized 3.8 million records in fiscal 2010 – 2.4 million assignment catalog cards and 53 volumes of the Catalogs of Copyright Entries representing approximately 1.4 million registrations. The number of records is lower than originally estimated because COP engaged in more quality control activities than was originally expected. Early in fiscal 2010, COP decided to focus resources on determining quality standards. While this process decreased the number of records digitized in fiscal 2010, COP believes that its records will be better preserved for the future because of the quality standards.

**Performance Target:** Copyright Royalty Judges (CRJ) – Keep copyright regulations related to CRJ responsibilities in 37 CFR Chapter 3 current and appropriate through annual review and issuance of new regulations within 6 months after final comments.

**Accomplishment:** CRJ has reviewed regulations related to its responsibilities throughout the fiscal year and kept them current.

**Performance Target:** Congressional Research Service (CRS) – At least 96 percent of active policy research products will address policy issues on the CRS research agenda during fiscal 2010.

**Accomplishment:** Following a review of its active products, CRS achieved a 97 percent association rate between active policy research products and the agenda as of September 30, 2010. Meeting this target helped ensure that CRS research products were aligned to congressional policy-making needs.

**Performance Target:** Law Library (LAW) – Add 600 U.S. legal instruments to the Global Legal Information Network (GLIN) database in fiscal 2010.

**Accomplishment:** In fiscal 2010 LAW added a total of 463 U.S. legal instruments to the GLIN database, about 77 percent of the 600 instruments target. LAW was unable to dedicate a full-time resource to this effort until the fourth quarter. Once the full-time resource became available, the rate of adding instruments to the database increased.

**Performance Target:** Library Services (LS) – To complement copyright deposits in fiscal 2010, employ strategic collecting policies using overseas and other sources to enhance the area studies collections.

**Accomplishment:** Through Library Services' acquisitions efforts during fiscal 2010, Congressional and other Library users have access to almost 737 thousand additional tangible items acquired for the area studies collections by purchase, exchange, or gift. Those users can also access at least 15 very large aggregators or databases, consisting of more than 150 thousand additional digital items, in area studies. The fiscal 2010 acquisitions particularly strengthened the Library's coverage of contemporary and historical China, Korea, Russia, and Middle Eastern countries.

**Performance Target:** LS – Purchase 1.235 million collection items in all formats using the appropriation Books for the General Collections (GENPAC) and Books for the Law Library (LAW).

**Accomplishment:** Congressional and other Library users are now supported by the addition of more than 1.4 million analog and digital collection items of high research value. The GENPAC fund purchased 773 thousand analog items and more than 500 thousand digital items for the area studies, special format, and general collections. The LAW fund purchased 115 thousand items for the Law Library of Congress collections.

**Performance Target:** LS – Provide appropriate cataloging for items selected for the Library of Congress collections within one year of receipt.

**Accomplishment:** Library users can now discover more than 840 thousand new books, periodical issues, maps, and other tangible items received during the year via the LC catalog on-site or over the World Wide Web. Users can also view more than 500 thousand digital items via the LC Electronic Resources Online Catalog. The ABA Directorate provided appropriate cataloging for 366 thousand tangible items (books, microforms, and CD-ROMs) selected for the Library's collections and added more than 414 thousand serial issues (loose periodicals) to existing catalog records. The Music Division cataloged 24 thousand items, the Geography and Map Division cataloged 7 thousand, and the Prints and Photographs Division cataloged 31 thousand. E-books and e-journals were cataloged by means of records purchased from Serial Solutions, Inc. All items were cataloged within one year of their receipt.

**Performance Target:** LS – Move 25 percent of those items ultimately scheduled for transfer from Capitol Hill and Landover Annex to Ft. Meade Modules 3, 4 and the Cold Storage Rooms during 2010 achieving 100 percent accuracy in shelf location.

**Accomplishment:** In fiscal 2010, the Collections Access Loan and Management Division (CALM) focused on the transfer of Library materials to the state-of-the-art facilities at Ft. Meade. In addition to transferring items from the General, Area Studies, and Law Library collections to Ft. Meade Modules 1 and 2 throughout the year, CALM took advantage of delays in the special collections Modules 3 & 4 transfer ramp-up and established a "surge" program, which resulted in the transfer of a significant number of volumes to Module 2. During the last four months of fiscal 2010, CALM concentrated on transferring special format collections to Ft. Meade. By the close of the fiscal year, a total of 877 thousand items from both the book and special format collections had been inventoried and the majority of them were transferred to Ft. Meade. For the special format collections, CALM had transferred 220 thousand reels of microfilm masters in 21 thousand, twelve-reel boxes; nearly 4 thousand folders of maps, 21 thousand manuscript containers, and 600 containers of microfiche as well as a number of smaller collections by the end of fiscal 2010. Forty-seven thousand of 237 thousand containers were transferred, representing 19.8 percent of the total scheduled for transfer. CALM achieved the shelf-location accuracy target.

**Performance Target:** LS – House 200 thousand books, photographs, manuscripts, maps, serials, and other items (designated by the special and general collections divisions) in polyester film, folders, mats, boxes and other containers, by the end of the fiscal year, to protect them from damage caused by handling, light, and fluctuating environments while in use, storage, display or transit.

**Accomplishment:** In fiscal 2010, the Preservation Directorate rehoused a total of 360 thousand items. Items rehoused included bound volumes, unbound paper items, photographs, audio visual material, and other formats. Highlights of the rehousing efforts included: completing refolding the American map collection, rehousing over 260 thousand maps and 70 county atlases, and rehousing the Woodrow Wilson Presidential Papers Series 2, consisting of 253 legal-sized document storage boxes.

**Performance Target:** LS – Treat 7 million books, pages, photographs, manuscripts, maps, serials, and other items (designated by the special and general collections divisions) through conservation repair, binding, reformatting, and/or mass deacidification by the end of the fiscal year, to stabilize them from damage caused by handling, use, scanning, exhibition, and reformatting, and to provide reformatted surrogates for items too fragile to use.

**Accomplishment:** In fiscal 2010, the Library bound, deacidified, reformatted, or otherwise treated 9.2 million items. The primary reason for this significant increase in items treated was additional focus on microfilming work by the New Delhi Field Office and the Preservation Directorate's effort to reduce accumulated microfilming work formerly held at the Photoduplication Service.

**Performance Target:** Office of Security and Emergency Preparedness (OSEP) – Maintain the availability of the Library's primary access control and intrusion detection system to ensure a secure environment for the Library staff, visitors, and collections.

**Accomplishment:** The Library maintained availability of the primary security system 100 percent of the time during the fiscal year.

**Performance Target:** Office of Strategic Initiatives (OSI) – Establish operational benchmarks for relevant Content Lifecycle components (produce/go get, inventory, describe, manage and preserve).

**Accomplishments:** Operational benchmarks established during fiscal 2010 for key Content Lifecycle components include:

**Produce/Go Get** – Information Architecture (IA). The IA strategy developed in fiscal 2010 supports the management and delivery of content by providing specifications for the planning of the migration to a new Library web presence including program-specific Information Architecture for legislative and copyright information systems. The IA areas of focus include detailed search and discovery specifications, search engine optimization, content organization, metadata consistency, metrics, and usability analysis.

**Inventory** – New Web Presence. In fiscal 2010 OSI developed a strategy for a new Library of Congress web presence to address the current state of the Library's online activities, specifically in relation to site fragmentation and the find-ability of content. The new Web Strategy focuses on user-centered delivery of seamless access to collections and services supported by integrated search and navigation and a consistent "look and feel."

**Describe** – Enhanced Usability Pilot (EUP). OSI Sponsored the EUP to: improve Library website usability, investigating and demonstrating enhanced searching and browsing, improved content and metadata portability. Initial outputs from the EUP were completed in April 2010.

**Describe** – Metadata. Metadata enrichment efforts initiated in 2009 for select content continued during fiscal 2010. Remediation will continue in fiscal 2011 based on Web Governance Board priorities.

**Manage** – e-Deposit. The e-Deposit project focuses on managing digital content received through electronic deposit.

**Preserve** – Repositories. The Repositories Requirements Document developed in fiscal 2010 identifies the requirements for the design of enterprise-wide digital repository services to be incorporated into the digital content management components of the Library Enterprise Architecture.

**Performance Target:** OSI – Accomplish the long range strategy of measuring customer satisfaction with the Library's online content delivery; in fiscal 2010, establish baseline rating.

**Accomplishment:** OSI analyzed two years of American Customer Satisfaction survey data supplied by over 50 thousand respondents. OSI used the data to identify baseline customer satisfaction scores with the Library of Congress web site (as of September 30, 2010) in each of the areas identified below and an aggregate satisfaction score which will be used to drive incremental improvements to the Library's content delivery in future years.



Element: Content	Baseline: 82
Element: Functionality	Baseline: 78
Element: Look and Feel	Baseline: 74
Element: Navigation	Baseline: 70
Element: Search	Baseline: 72
Element: Site Performance	Baseline: 83

Customer Satisfaction Baseline (aggregate rating): 75

**Strategic Plan Goal: Customers** – Improve our internal and external customers' experiences in seamlessly finding and using Library resources.

**Performance Target:** COP – Improve processing times for registrations and recordations (comparing year-end averages) by 5 percent, by September 30, 2010.

**Accomplishment:** For the fiscal year, overall average days measuring all types of claims together decreased by 10 percent, reflecting (1) the reduction of the number of processable claims by more than 164 thousand since December 2009 and (2) the increasing percentage of electronic claims received, which can be processed more quickly. The average number of days required to process electronic claims decreased by 5 percent. While the yearly average of days required for paper claims processing rose by 15 percent for the year, a significant reduction began in the 4<sup>th</sup> quarter.

**Performance Target:** CRJ – Set royalty rates and terms that meet statutory deadlines.

**Accomplishment:** All CRJ proceedings met statutory deadlines in fiscal 2010. Meeting statutory deadlines ensures that rates are set in a timely manner so that royalties can be distributed.

**Performance Target:** COP – Decrease processing time to 14 months (from the fiscal 2009 year end processing time of 15 months) for standard SA-3 cable statements of account from receipt to public availability, by September 30, 2010.

**Accomplishment:** COP closed 98 percent of 2009/1 SA-3s, and 80 percent of 2009/2 SA-3s within the 14 month target time frame. COP continues to improve processing times for statements of account. This allows the public to have more timely information on who has paid and how much has been paid into the royalty pools.

**Performance Target:** COP – Decrease processing time to 6 months (from the fiscal 2009 expected year end processing time of 7 months) for standard SA-1-2 (short form) cable statements of account from receipt to public availability, by September 30, 2010.

**Accomplishment:** COP closed 95 percent of 2009/1 SA1-2s, and 97 percent of 2009/2 SA1-2s within the target time frame. COP continues to improve processing times for statements of account. Improved processing time allows the public to have more timely information on who has paid and how much has been paid into the royalty pools.

**Performance Target:** CRS – Create an integrated web site for Congress by the end of fiscal 2010; CRS will complete project milestones on time throughout the year.

**Accomplishment:** CRS partially implemented key web site functionality by the end of fiscal 2010 including the ability to relate different types of content to legislative issues and congressional operations collections on the CRS web site and maintain those relationships dynamically in the CRS consolidated database (rather than manually on individual web pages).

**Performance Target:** Integrated Support Services (ISS) – By the end of fiscal 2010, achieve a 42 percent year-to-date closure rate of requests for facility-related services tracked through the Facilities Automated Services Tracking (FAST) System

**Accomplishment:** ISS achieved a 57% closure rate for FAST requests, surpassing its target by 15%. ISS worked with the Library's Information Technology Services (ITS) office to enhance the tracking capabilities of the FAST system to include reporting the time required for completion of various types of work requests, and incorporation of standardized lead times for all services provides, which enables an automated assignment of a projected completion date

**Performance Target:** ISS – By the end of 2010, achieve an overall customer satisfaction index for ISS services of 4.5 out of a possible 5.0.

**Accomplishment:** The average customer satisfaction summary rating for ISS was 4.62 in fiscal 2010, higher than the fiscal 2009 score of 4.6 and exceeding the fiscal 2010 target of 4.5. Throughout the year, customer feedback questionnaires were completed for 31 ISS services through 71 questionnaire distributions.

**Performance Target:** LAW – Achieve a customer satisfaction rating for the THOMAS website of "satisfactory" or better for 2/3 of those responding to an online survey.

**Accomplishments:** In fiscal 2010, 2 thousand of the almost 3 thousand (67 percent) THOMAS customers completing the online survey reported at least "satisfactory" experiences using THOMAS.

**Performance Target:** LAW – Continue to classify the 610 thousand volumes shelved under "LAW" according to the Class K schedule, reducing the backlog by 61 thousand volumes each fiscal year.

**Accomplishment:** The Law Library classified a total of 41.1 thousand volumes in fiscal 2010, 67 percent of the annual number of volumes identified in the target.

**Performance Target:** LAW – With GLIN partnerships, attain at least 2,000,000 visits to the GLIN web-based system for fiscal 2010.

**Accomplishment:** The GLIN web-based system attained 2.1 million visits during fiscal 2010.

**Performance Target:** LS – In fiscal 2010 achieve cost savings of \$18.2 million for federal libraries and information centers through the centralized procurement of library-related services and training.

**Accomplishment:** In fiscal 2010, FEDLINK achieved cost savings of \$17.7 million. The fiscal 2010 cost savings were lower than the fiscal 2010 target of \$18.2 million for the following reasons:

FEDLINK processed more high volume transactions in fiscal 2010 than in 2009. Since FEDLINK lowered the fee structure threshold from \$300 thousand to \$100 thousand in fiscal 2009, more customers are taking advantage of the lower fee by becoming larger customers. The total Transfer Service Dollars in fiscal 2010 is higher (\$87 million) than in fiscal 2009 (\$79 million). However, the number of transactions was 304 lower in fiscal 2010 (6.5 thousand) than in fiscal 2009 (6.8 thousand). The total cost avoidance was slightly lower than the target because the formula used to calculate cost avoidance is based on the number of transactions.

**Performance Target:** LS – Contract and manufacture 240 thousand Digital Talking Book (DTB) players for distribution to patrons.

**Accomplishment:** The National Library Service for the Blind and Physically Handicapped (NLS) contracted for the manufacture of 238,920 DTB players for distribution to patrons.

**Performance Target:** LS – Contract to produce 700 copies each of 2,000 new book titles in digital format for the Digital Talking Books program for distribution to patrons.

**Accomplishment:** In fiscal 2010, NLS contracted to produce 700 copies each of 2,000 new book titles in digital format for the DTB. Nine contracts were awarded in fiscal 2010 to achieve the target.

**Performance Target:** LS – Improve access to the collections by 5 percent by the end of fiscal 2010 (as measured by the number of catalog searches).

**Accomplishments:** The fiscal 2010 target for a five percent increase equated to slightly more than 141 million searches. The actual increase exceeded the target by 411 thousand.

**Strategic Plan Goal: Outreach** – Increase awareness of the value and utility of the Library.

**Performance Target:** Office of the Librarian (LIBN/O) – The Congressional Relations Office (CRO) will provide four monthly briefings/meetings to Members and key Congressional staff by September 30, 2010.

**Accomplishment:** CRO exceeded this target in fiscal 2010. The number and scope of regularly scheduled meetings with House and Senate oversight staff increased as they requested more briefings by Library staff about specific issues and legislation.

**Performance Target:** LIBN/O – The Public Affairs Office (PAO) will increase media impressions from the baseline of 1 billion in fiscal 2010 by 20 percent per year. PAO will increase the percentage of positive tones of media placements from the baseline of 75 percent by 5 percent per year.

**Accomplishment:** The Library achieved an estimated 1.5 billion media impressions in fiscal 2010. PAO is also working with OSI/Web Services to gather better data regarding usage and impressions driven by the Library's social-media pilots. "Tone," while quite subjective, is harder to judge after an expensive media-monitoring contract was not renewed, but PAO is working with its new vendor to address this issue. Anecdotally, tone remains very positive.

**Performance Target:** LS – During fiscal 2010, establish a baseline for the measurement of visitor satisfaction with on-site exhibits.

**Accomplishment:** In fiscal 2010, Library Services awarded a contract to develop a baseline measurement of visitor satisfaction with on-site exhibits. Library Services received the baseline customer satisfaction index score for on-site exhibits on September 22, 2010. The baseline score is 83, indicating a high level of satisfaction with Library of Congress exhibits.

**Strategic Plan Goal: Organization** – Increase Library-wide synergies and flexibilities to continuously improve quality and efficiency of delivery of products and services.

**Performance Target:** LS – Increase automation of services through integrated workflows for 52 Library Services divisions by the end of 2010.

**Accomplishments:** LS completed and documented the workflow interviews for all of its divisions and is completing the necessary requirements documentation. From the interviews, LS identified 539 action items. Of those, LS closed 60, 45 are in progress, and 135 passed to the directorates for further review. LS identified Strategic Business Objectives and those strategic needs will drive the future work to improve business workflows.

**Performance Target:** Office of the Inspector General (OIG) – Achieve 85 percent acceptance rate on recommendations made by the audit division.

**Accomplishment:** OIG made 43 audit recommendations during fiscal 2010. Management accepted 40, or 93 percent.

**Performance Target:** OIG – Achieve 100 percent successful adverse actions resulting from administrative investigations.

**Accomplishments:** OIG made 14 administrative referrals for action during fiscal 2010. All 14 referrals, or 100%, were successfully adjudicated.

**Performance Target:** OSEP – Maintain the safe and expeditious evacuation of all staff, contractors, and visitors from Library facilities as the situation warrants, and verify that all staff have safely evacuated and are accounted for. During an emergency evacuation or drill OSEP will verify that staffs have safely evacuated the facility where the emergency or drill is taking place. We will strive to attain an accounting of at least 98 percent of the staff.

**Accomplishments:** OSEP continued to maintain safety for staff, contractors, and visitors during evacuation drills at the Library during fiscal 2010. A minimum of 98 percent of staff were accounted for in all of the emergency evacuation drills (or unplanned evacuations) occurring during the year.

**Performance Target:** OSI – Ensure that 100 percent of mission critical moderate and high impact systems implemented after August 2004 have completed Certification and Accreditation (C&A).

**Accomplishments:** The Library certified and accredited 71 percent of its inventory of systems. Those without up-to-date C&As are all in-production systems that require re-certification. One hundred percent of *new* systems underwent C&A before being placed into production.

**Performance Target:** OSI – Maintain 99.5 percent availability of core technology backbone of networks, storage, and servers.

**Accomplishments:** During the year Information Technology Services (ITS) achieved 99.2 percent availability. During fiscal 2010, ITS focused on completing the design of new data and network infrastructure for the Madison and alternate computer facilities. Data growth in both preservation and presentation is increasing dramatically. The new infrastructure will increase the speed, capacity, and reliability of the data and network and will be implemented in three phases, one of which was completed during the year.

**Strategic Plan Goal: Workforce** – Cultivate a talented diverse community of innovators devoted to public service.

**Performance Target:** Human Resources Services (HRS) – Increase the number of the Library's supervisors developed through the Supervisor Development Program by an annual average of 15 percent.

**Accomplishments:** The Library increased the number of current supervisors trained through the Supervisor Development Program by 19 percent during fiscal 2010, exceeding the target established for the year.

**Performance Target:** HRS – Increase number of Library staff receiving education relating to personal finance and benefits management by 20 percent.

**Accomplishments:** The Employee Assistance Program and Retirement Education Seminars offered a wide range of financial planning, retirement education, and personal services planning seminars to 395 participants as of September 30, 2010, exceeding the target by 1 percent.

### **Internal Control Program, Systems, Controls and Legal Compliance**

The Library has an internal control program (ICP) that requires annual risk (vulnerability) assessments and periodic detailed reviews of internal controls based on the results of the vulnerability assessments. The ICP is designed to ensure that: (1) obligations and costs comply with applicable law; (2) assets are safeguarded against waste, loss, unauthorized use or misappropriation; (3) revenues and expenditures are properly accounted; and (4) program activities are carried out in the most efficient, effective, and economical manner possible.

During fiscal year 2010, Library staff performed vulnerability assessments on all of the identified financial and non-financial modules and assigned, based on an established scoring system, a high, medium or low risk to the modules. Then, based on risk level, Library staff performed 70 detailed control reviews in fiscal year 2010 to examine the controls in place in the selected modules. Plans to correct any deficiencies in controls were derived based on the examination results and will be tracked at an agency level by program officials until the deficiencies are resolved.

The implementation and regular testing of controls allows for Library management to assert that these controls provide reasonable assurance that the foregoing objectives are met. This testing is performed on the central financial and reporting systems, along with the subsidiary and program systems and the external financial interfaces used by the Library. The Library has continued to enhance the central financial system that was implemented in 2004 to improve controls, reduce paper-based transactions, and decrease the number of program and subsidiary systems.

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

The Library's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the Library of Congress, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the Financial Statements. While these statements have been prepared from the books and records of the Library, they are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

**THE LIBRARY OF CONGRESS****Consolidated Balance Sheets**

As of September 30, 2010 and 2009

(in thousands)

	(in thousands)	
	FY 2010	FY 2009
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 350,417	\$ 350,419
Investments (Note 4)	42,583	42,486
Accounts Receivable, Net (Note 5.A)	11,848	12,100
Other Intragovernmental Assets	1,023	225
<b>Total Intragovernmental</b>	<b>405,871</b>	<b>405,230</b>
Cash and Other Monetary Assets (Note 1.G)	169	104
Pledges Receivable – Donations (Note 5.B)	19,208	14,759
Investments (Note 4)	84,979	78,848
Inventory and Operating Materials (Note 1.K)	1,037	1,042
Property and Equipment, Net (Note 6)	67,015	69,138
Other Assets	544	529
Library Collections (Note 1.M)		
<b>TOTAL ASSETS</b>	<b>\$ 578,823</b>	<b>\$ 569,650</b>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 6,109	\$ 5,966
Advances from Others	33,091	40,019
Accrued Unfunded Workers' Compensation (Note 9)	1,756	1,657
Other Intragovernmental Liabilities (Note 11)	130	61
<b>Total Intragovernmental</b>	<b>41,086</b>	<b>47,703</b>
Accounts Payable and Accrued Funded Payroll, Benefits	74,908	65,108
Deposit Account Liability	6,920	6,845
Accrued Unfunded Annual and Compensatory Leave	26,295	25,605
Actuarial Unfunded Workers' Compensation (Note 9)	7,461	6,743
Other Liabilities (Note 11)	5,291	2,795
<b>TOTAL LIABILITIES</b>	<b>\$ 161,961</b>	<b>\$ 154,799</b>
Commitments and Contingencies (Note 10)		
<b>NET POSITION</b>		
Unexpended Appropriations – All Other Funds	\$ 199,250	\$ 207,157
Cumulative Results of Operations – Earmarked Funds (Note 18)	185,214	173,519
Cumulative Results of Operations – All Other Funds	32,398	34,175
<b>TOTAL NET POSITION</b>	<b>\$ 416,862</b>	<b>\$ 414,851</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 578,823</b>	<b>\$ 569,650</b>

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

**THE LIBRARY OF CONGRESS****Consolidated Statements of Net Costs**

For the Years Ended September 30, 2010 and 2009

(in thousands)

	FY 2010	FY 2009
<b>NET COSTS BY PROGRAM AREA</b>		
<b>National Library:</b>		
Program Costs	\$ 485,331	\$ 461,909
Less: Earned Revenue	(4,351)	(4,191)
<b>Net Program Costs</b>	<b>480,980</b>	<b>457,718</b>
<b>Law Library:</b>		
Program Costs	25,477	24,986
Less: Earned Revenue	(15)	(20)
<b>Net Program Costs</b>	<b>25,462</b>	<b>24,966</b>
<b>Copyright Office:</b>		
Program Costs	81,326	73,886
Less: Earned Revenue	(38,481)	(30,033)
<b>Net Program Costs</b>	<b>42,845</b>	<b>43,853</b>
<b>Congressional Research Service:</b>		
Program Costs	148,424	139,411
Less: Earned Revenue	(1)	(3)
<b>Net Program Costs</b>	<b>148,423</b>	<b>139,408</b>
<b>National Library Service for the Blind and Physically Handicapped:</b>		
Program Costs	89,401	52,032
Less: Earned Revenue	(2)	(4)
<b>Net Program Costs</b>	<b>89,399</b>	<b>52,028</b>
<b>Revolving and Reimbursable Funds:</b>		
Program Costs	110,135	101,920
Less: Earned Revenue	(94,255)	(83,446)
<b>Net Program Costs</b>	<b>15,880</b>	<b>18,474</b>
<b>NET COSTS OF OPERATIONS</b>	<b>\$ 802,989</b>	<b>\$ 736,447</b>

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



**THE LIBRARY OF CONGRESS**  
**Consolidated Statements of Changes in Net Position**  
For the Years Ended September 30, 2010 and 2009

(in thousands)

	FY 2010			FY 2009		
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total
<b>CUMULATIVE RESULTS OF OPERATIONS</b>						
Beginning Balances	\$173,519	\$34,175	\$207,694	\$177,318	\$28,565	\$205,883
Budgetary Financing Sources:						
Appropriations Used		642,917	642,917		588,400	588,400
Non-exchange Revenue	443		443	584		584
Donations of Cash or Securities	16,221		16,221	15,537		15,537
Transfers In/(Out) Without Reimbursement	382	(277)	105	212	(131)	81
Other	3,436		3,436	232		232
Other Financing Sources (Non-exchange):						
Donations of Property and Services	398	42,118	42,516	569	43,456	44,025
Transfers – in/out without Reimbursement	(31)	31	0			
Imputed Financing	3,719	98,991	102,710	3,231	88,835	92,066
Other	4,559		4,559	(2,667)		(2,667)
<b>Total Financing Sources</b>	<b>29,127</b>	<b>783,780</b>	<b>812,907</b>	<b>17,698</b>	<b>720,560</b>	<b>738,258</b>
<b>Net Cost of Operations</b>	<b>(17,432)</b>	<b>(785,557)</b>	<b>(802,989)</b>	<b>(21,497)</b>	<b>(714,950)</b>	<b>(736,447)</b>
<b>Net Change</b>	<b>11,695</b>	<b>(1,777)</b>	<b>9,918</b>	<b>(3,799)</b>	<b>5,610</b>	<b>1,811</b>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>	<b>\$185,214</b>	<b>\$32,398</b>	<b>\$217,612</b>	<b>\$173,519</b>	<b>\$34,175</b>	<b>\$207,694</b>
<b>UNEXPENDED APPROPRIATIONS</b>						
Beginning Balances	\$0	\$207,157	\$207,157	\$0	\$195,373	\$195,373
Budgetary Financing Sources:						
Appropriations Received	0	643,337	643,337	0	607,096	607,096
Appropriations Transferred In/(Out)	0	(1,137)	(1,137)	0	(1,851)	(1,851)
Other Adjustments	0	(7,190)	(7,190)	0	(5,061)	(5,061)
Appropriations Used	0	(642,917)	(642,917)	0	(588,400)	(588,400)
<b>Total Budgetary Financing Sources</b>	<b>0</b>	<b>(7,907)</b>	<b>(7,907)</b>	<b>0</b>	<b>11,784</b>	<b>11,784</b>
<b>TOTAL UNEXPENDED APPROPRIATIONS</b>	<b>0</b>	<b>199,250</b>	<b>199,250</b>	<b>0</b>	<b>207,157</b>	<b>207,157</b>
<b>NET POSITION</b>	<b>\$185,214</b>	<b>\$231,648</b>	<b>\$416,862</b>	<b>\$173,519</b>	<b>\$241,332</b>	<b>\$414,851</b>

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

**THE LIBRARY OF CONGRESS**  
**Combined Statements of Budgetary Resources**  
For the Years Ended September 30, 2010 and 2009

(in thousands)

	FY 2010	FY 2009
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance, Brought Forward, October 1	\$ 1,291,000	\$ 1,273,622
Recoveries of Prior-year Unpaid Obligations	34,432	21,650
Budget Authority:		
Appropriation	667,338	893,416
Spending Authority from Offsetting Collections:		
Earned:		
Collected	150,993	132,523
Change in Receivables from Federal Sources	795	179
Change in Unfilled Customer Orders:		
Advances Received	(3,808)	2,939
Without Advances from Federal Sources	(767)	3,726
Total Budget Authority	814,551	1,032,783
Nonexpenditure Transfers, Net	(1,137)	(1,851)
Temporarily Not Available Pursuant to Public Law	0	0
Permanently Not Available	(7,190)	(5,090)
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 2,131,656</b>	<b>\$ 2,321,114</b>

<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 1,876,804	\$ 892,330
Reimbursable	164,782	137,784
Total Obligations Incurred	2,041,586	1,030,114
Unobligated Balance – Exempt from Apportionment	71,216	1,276,668
Unobligated Balance – Not Available	18,854	14,332
<b>TOTAL STATUS OF BUDGETARY RESOURCES</b>	<b>\$ 2,131,656</b>	<b>\$ 2,321,114</b>

<b>CHANGE IN OBLIGATED BALANCE</b>		
Unpaid Obligated Balance, Net, Brought Forward, October 1:		
Unpaid Obligations, Brought Forward	\$ 278,013	\$ 281,300
Less: Uncollected Customer Payments, Brought Forward	(12,492)	(8,587)
Total Unpaid Obligation Balance, Net	265,521	272,713
Obligations Incurred, net	2,041,586	1,030,114
Less: Gross Outlays	(1,986,690)	(1,011,751)
Less: Recoveries of Prior-Year Unpaid Obligations	(34,432)	(21,650)
Change in Uncollected Customer Payments from Federal Sources	(29)	(3,905)
Unpaid Obligated Balance, Net, End of Period:		
Unpaid Obligations	298,477	278,013
Less: Uncollected Customer Payments from Federal Sources	(12,521)	(12,492)
<b>TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD</b>	<b>\$ 285,956</b>	<b>\$ 265,521</b>

<b>NET OUTLAYS</b>		
Gross Outlays	\$ 1,986,690	\$ 1,011,751
Less: Offsetting Collections	(147,185)	(135,462)
Less: Distributed Offsetting Receipts	(1,471)	(6,404)
<b>NET OUTLAYS</b>	<b>\$ 1,838,034</b>	<b>\$ 869,885</b>

*(The Library has no Non-Budgetary Credit Program Financing Accounts; all amounts above are Budgetary.)*

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

<b>NOTE 1</b>	<b>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</b>
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### **A. Reporting Entity**

The Library of Congress (the Library), a legislative branch agency of the U.S. government, was established in 1800 primarily to provide information and policy analyses to the members and committees of the U.S. Congress. Since then, the Library has been assigned other major missions such as administering the U.S. copyright laws, providing cataloging records to the nation's libraries, and coordinating a national program to provide reading material for blind and physically handicapped residents of the U.S. and its territories and U.S. citizens residing abroad. The Library also provides services to other federal agencies and administers various gift funds and funds accepted and controlled by the Library of Congress Trust Fund Board (TFB).

The Library's programs and operations are subject to oversight by the Joint Committee on the Library, the oldest joint committee of the Congress, which is comprised of members of the U.S. House of Representatives and Senate. The Library relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House and Senate Appropriations Subcommittees on Legislative Branch Appropriations. The Library also receives funds from other agencies for services provided under the Economy Act and other statutes. In addition, the Library administers several fee-for-service revolving funds and receives donations from the public, which are classified as gifts or funds accepted and controlled by the TFB, which consists of the Librarian of Congress (who is Chairman and Secretary of the TFB), the Chairman and Vice-Chairman of the Joint Committee on the Library, the Secretary of the Treasury (or an assistant secretary designated in writing by the Secretary of the Treasury), and ten additional members appointed by the President (two), the U.S. House of Representatives (four), and the U.S. Senate (four).

Entity activities are those for which the Library has the authority to use the assets. Non-entity activities consist primarily of deposit accounts that are not available for use by the Library.

### **B. Basis of Presentation**

The accompanying financial statements report the financial position, net costs, changes in net position, budgetary resources of the Library for fiscal years 2010 and 2009. These consolidated and combined financial statements include the accounts of all funds under the Library's control, which have been established and maintained to account for the resources of the Library. They were prepared from the Library's financial management system in accordance with Generally Accepted Accounting Principles (GAAP).

Fiduciary assets are not assets of the Library of Congress and beginning in fiscal year 2009 are not recognized on the Balance Sheet, Statement of Net Cost, or Statement of Net Position. See Note 1.R, Accounting Changes and Note 21, Fiduciary Activities.

Material intra-Library transactions and balances have been eliminated from the Consolidated Balance Sheets, the Consolidated Statements of Net Cost, and the Consolidated Statements of Changes in Net Position. The Statement of Budgetary Resources is presented on a combined basis; therefore, intra-Library transactions and balances have not been eliminated from this statement.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the standards developed by the Federal Accounting Standards Advisory Board (FASAB). However, the Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budgetary data into the overall federal government structure. For purposes of financial management and reporting, the Library has issued a regulation (LCR 1510), which adopts the federal standards for financial reporting and internal controls in a manner consistent with a legislative agency. The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers Financial Integrity Act and the Government Performance and Results Act, as these standards are not applicable to the Library. However, the Library uses these sources as guidance and reference in its operations.

The statements include 4 (4) appropriated fund accounts; 26 (26) revolving (and gift revolving) funds; 26 (23) reimbursable funds; 105 (105) TFB funds; and 136 (134) gift funds for fiscal year 2010 (and 2009, respectively).

### **C. Basis of Accounting**

The Library's financial statements conform to accounting principles generally accepted in the United States of America as promulgated by the Federal Accounting Standards Advisory Board (FASAB). The American Institute of Certified Public Accountants recognizes FASAB Standards as generally accepted accounting principles for federal reporting entities.

The statements were also prepared based on guidance published in the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements. The Library is not required to adopt this circular, and accordingly has elected to use the disclosures management deems necessary for the fair presentation of financial statement information.

The accounting structure of the Library is designed to reflect both accrual and budgetary accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The budgetary accounting, on the other hand, is designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The budgetary accounting facilitates compliance with legal constraints on and controls over the use of federal funds.

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

### **D. Revenues and Other Financing Sources**

#### ***Appropriations***

The Library receives the majority of its funding to support its programs through four appropriations that include both annual and no-year funding. The appropriated funds may be used, within statutory limits, for operating and capital expenditures including equipment, furniture and furnishings. Appropriations are recognized as revenues at the time they are expended. The four appropriations for fiscal year 2010 are:

- Library of Congress, Salaries and Expenses (annual and no-year)
- Copyright Office, Salaries and Expenses (annual and no-year)
- Congressional Research Service, Salaries and Expenses (annual)
- National Library Service for the Blind and Physically Handicapped, Salaries and Expenses (annual and no-year)

#### ***Earned Revenues***

Additional amounts are obtained through reimbursements from services performed for other federal agencies as authorized by the Economy Act and the Library's annual appropriations legislation. In addition, the Library operates several self-sustaining revolving funds that generate revenues from the sale of various products and services to the public and federal customers. Revolving and reimbursable fund revenue is recognized when goods have been delivered or services rendered.

Under the authority of 2 U.S.C. 182, the Cooperative Acquisitions Revolving Fund was established on October 1, 1997, and is the program under which the Library acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis (over time). 2 U.S.C. 182 was amended for the establishment of revolving funds for Audio and Video Duplication, Gift Shop Operations, Decimal Classification, Document Reproduction and Microfilm Services, Special Events, FEDLINK and Federal Research Program.

- The Audio and Video Duplication fund provides audio and video duplication and delivery services which are associated with the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia.
- The Decimal Classification fund performs decimal classification development.
- The Gift Shop fund operates a gift shop and other sales of items associated with collections, exhibits, performances, and special events at the Library.
- The Document Reproduction and Microfilm Services fund provides document reproduction and microfilming services.
- The Special Events fund performs services related to the hosting of special events and programs by the Librarian in Library facilities.
- The FEDLINK program is the program of the Library under which procurement of publications and library support services, along with related accounting, education and support services are provided to Federal Government or District of Columbia entities.
- The Federal Research Program provides research reports, translations and analytical studies for Federal Government or District of Columbia entities.

The revolving funds report, but are not required to recover, unreimbursed inter-entity costs (imputed costs).

### ***Imputed Financing Sources***

In accordance with FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 30, "Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts," the Library has recorded expenses for the material unreimbursed full costs of goods and services that it receives from other legislative branch agencies (i.e., the Architect of the Capitol and the Government Printing Office) and executive branch agencies (i.e., the Office of Personnel Management (OPM) and the Department of the Treasury) for fiscal years 2010 and 2009. Since these costs are not actually paid to the other agencies, an imputed financing source is recorded to offset these costs that are financed by the other Federal agencies.

### ***Donation and Interest Revenue***

The Library receives monetary gifts from donors and receives interest on invested funds. The Library also received gifts of donated property or services during fiscal years 2010 and 2009. The Library records these in-kind donations as donated revenue in the period earned and an offsetting expense in the same period. The Ad Council provided nearly all of the in-kind donations in the form of free advertising for America's Library web site. Several vendors provided in-kind donations for the Library's annual book festivals and several other meetings. Finally, at times, the Ira and Leonore Gershwin Trust Fund and Related Charitable Trust has provided in-kind materials and services to the Library.

### ***Deferred Credits***

The Library received gifts subject to certain conditions being met. These are not considered earned until the conditions are met, and are recorded as deferred credits until earned.

## **E. Gift and TFB Funds**

The Library administered gift and TFB funds with combined asset value of approximately \$156.8 million and \$145.3 million during fiscal years 2010 and 2009, respectively. Funds are restricted as to their use, which must be in accordance with the terms of the gift agreement. In general, TFB funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on TFB funds by the terms of an agreement or donor's will. Library fund managers administer and oversee the gift and TFB funds to ensure they are used as directed by the donors and in accordance with Library policy.

## **F. Fund Balance with Treasury**

The amount shown as Fund Balance with Treasury represents the balances of the appropriated, reimbursable, gift and TFB funds, revolving, and deposit funds that are on deposit with the U.S. Treasury.

## G. Cash and Other Monetary Assets

Cash and other monetary assets are defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand and imprest funds.

The Library receives and utilizes foreign currencies in carrying out operations abroad as it conducts business through six overseas offices. Foreign currency balances at year-end are immaterial to the financial statements.

## H. Investments (Net)

Gift and TFB Funds - The TFB determines the investment policy for the Library's gift and TFB funds. The policy provides three options for investment of TFB funds:

- A permanent loan with the U.S. Treasury
- A pool of U.S. Treasury market-based securities
- A private investment pool consisting of the following stock, index and money market funds utilized during fiscal year 2010:
  - Vanguard Institutional Index Fund
  - Diamond Hill Large Cap Value
  - Dodge & Cox Income Fund
  - Dodge & Cox Stock Fund
  - Managers Cadence Capital Appreciation Fund
  - Harbor Capital Appreciation Fund
  - Artio International Equity Fund
  - Lazard Emerging Markets Fund
  - Neuberger Berman Large Cap Disciplined Growth Fund
  - PIMCO Total Return Fund
  - Vaughn Nelson Small/Mid Cap Value

and utilized during fiscal year 2009:

- Vanguard Institutional Index Fund
- Vanguard Capital Opportunity Fund
- Fidelity Blue Chip Growth Fund
- Fidelity Capital Appreciation Fund
- Fidelity Growth Company Fund
- Fidelity Dividend Growth Fund

The policy for gift funds allows only for investment in U.S. Treasury market-based securities.

Under 2 U.S.C. 158, up to \$10 million of the Library's gift and TFB funds may be invested with the U.S. Treasury as a permanent loan at a floating rate of interest, adjusted monthly, but no less than four percent per annum. The permanent loan is an interest bearing investment recorded at cost, which is market value.

Treasury securities are intended to be held to maturity, are valued at cost, and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method.

Stock and money market funds are stated at current market value and are considered available for sale. Unrealized gains and losses are recognized and recorded as a component of non-exchange revenue in the statement of changes in net position.

All gift and TFB fund investments are obtained and held by the gift and TFB funds under conditions set forth in the respective gift and TFB instruments.

Deposit Funds - Pursuant to Public Law 105-80, funds deposited by copyright applicants are invested, based on the unearned balance available, by the Copyright Office in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until the deposit fees are earned and income accrues to the benefit of the Copyright Office.

### **I. Accounts Receivable**

Accounts receivable primarily resulted from billings to other federal agencies under reimbursable interagency agreements for database retrieval and other library services. The Library has established an allowance for doubtful accounts against accounts receivable due from non-federal customers, based on past collection experience. The Library does not record allowance for doubtful accounts for intragovernmental accounts receivable in accordance with SFFAS No. 1, "Accounting for Selected Assets and Liabilities," which cites that "losses on receivables should be recognized when it is more likely than not that the receivable will not be totally collected." Intragovernmental receivables are likely to be totally collected.

### **J. Pledges Receivable**

Contributions of unconditional promises to give (pledges) to the Library and the Library of Congress TFB are recognized as donated revenue in the period the pledge is received. They are recorded at their estimated present value using a market-based discount rate. Accretion of the discount in subsequent years is also recorded as donated revenue. Substantially all of the Library's pledges are from major corporations or donors. The Library regularly monitors the status of all pledges and adjusts accordingly; therefore no allowance for uncollectible pledges has been established.

### **K. Inventory and Related Property**

The Library's inventories are primarily comprised of bibliographic products that will be consumed in future operations; materials used to reproduce printed materials; sound recordings for both internal and external sales; and sales shop merchandise for resale. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials are adjusted for the results of periodic physical counts.

### **L. Property and Equipment**

For fiscal years prior to 1998, the Library capitalized furniture and equipment at cost if the initial acquisition cost was \$10,000 or more. Starting in fiscal year 1998, the Library capitalizes furniture and equipment at cost if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives.

Property and equipment accounts are maintained in three categories of funds: Appropriated, Reimbursable and Revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment purchased by the Integrated Support Services Administrative Working Fund are recorded in the reimbursable funds. Property and equipment purchased by FEDLINK, the Federal Research Program, Document Reproduction and Microfilm Service, Audio Visual Services, and the Cooperative Acquisitions Program are recorded in the revolving funds.

The Library occasionally acquires property and equipment by direct gift or by purchase from funds donated for a specific purpose or project. Because property is generally not restricted for use to gift and trust activities, property accounts are not maintained in the gift and TFB funds. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and TFB funds and transferred to the Library's appropriated fund, once



the costs are complete and the property is placed in service. The Library records the donated property and equipment at its fair market value at the time of the gift.

Operating equipment is amortized over a 3 to 20-year period. Software includes ADP software purchased from outside vendors and software defined as “internal use software” in accordance with SFFAS No. 10, “Accounting for Internal Use Software.” All software recorded has an estimated useful life of three years or more and a value of at least \$10,000 per item acquired in fiscal years 1997 and prior or at least \$100,000 per item acquired in fiscal years after 1998.

Leased equipment meeting the criteria for capitalization in accordance with Statements of Federal Financial Accounting Standards is included in property and equipment.

Land and buildings are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center), a secondary storage facility at Fort Meade, Maryland, and the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia. The Architect receives an appropriation from Congress to fund maintenance, care and operations of the Library's buildings and grounds. Costs associated with the acquisition and maintenance of these buildings is accounted for by the Architect. However, the Library has recorded the inter-entity cost and related imputed financing source in its books. The Library does capitalize and depreciate leasehold improvements to its facilities as long as the improvements were made using the Library's funding sources and the acquisition cost is at least \$100,000.

### **M. Library Collections**

The Library classifies its collections as Heritage Assets, that is, assets with historical, cultural, educational, artistic or natural significance. The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

The Library's collection development policies are designed to fulfill its responsibilities to serve (1) the Congress and United States government as a whole, (2) the scholarly and library community, and (3) the general public. Written collection policy statements ensure that the Library makes every effort to possess all books and library materials necessary to the Congress and various offices of the United States government to perform their duties; a comprehensive record, in all formats, documenting the life and achievement of the American people; and a universal collection of human knowledge embodying, primarily in print form, the records of other societies, past and present.

Copyright deposits are a major source of the Library's collections of Americana. The Library also acquires materials by purchase, transfer from other federal agencies, gift, domestic and international exchange, or by provisions of state and federal law. Many of these materials are foreign publications. Various preservation methods are used to maintain the collections, and disposals occur only for the exchange and gift of unwanted or duplicate copies. As of September 30, 2010 and 2009 the Library had 92 collections managed by its custodial units.

The cost of acquiring additions to the collections is expensed, when incurred, in the statement of net cost. (See note 13.) Supplemental information regarding the condition and preservation of the collections is included with the Assessment of Condition of Heritage Assets.

### **N. Liabilities**

Liabilities represent the amounts that are likely to be paid by the Library as a result of transactions that have already occurred. Liabilities for which an appropriation has not been enacted, or which are the results of deposit account activities, are classified as liabilities not covered by budgetary resources. For accrued unfunded annual leave, compensatory time earned, workers' compensation and capital lease liabilities, it is not certain that appropriations will be enacted to fund these amounts.

Advances from Others are funds received for the revolving programs that have not yet been earned.

Deposit Liabilities are customer funds on deposit for Copyright, Document Reproduction and Microfilm Services, and Cataloging Distribution Service products and services.

Accrued Annual and Compensatory Leave - The Library's basic leave policy is contained in Title 5, U.S.C. the Uniform Annual and Sick Leave Regulations of the Office of Personnel Management, and the decisions of the Comptroller General. Generally, each employee may carry forward a maximum of 240 hours of annual leave per calendar year. Annual leave is accrued as it is earned and the liability is adjusted at the end of each fiscal year based on annual leave earned and taken. Annual leave earned in excess of the maximum permitted carryover is forfeited. Each year, the balance in the accrued annual leave account is also adjusted to reflect current pay rates.

Employees' compensatory time earned but not taken is also accrued at year-end. An employee may accumulate a maximum of 40 hours of compensatory time during the fiscal year. Beginning with the 2008 leave year, compensatory leave earned will remain on the employee's leave record for use up to a maximum of 26 pay periods from the pay period in which it was earned. Any compensatory leave not used beyond the 26 pay periods will be forfeited.

Sick leave and other types of nonvested leave are expensed as taken.

Capital Lease Liabilities are liabilities resulting from capital leases of equipment. The Library's lease agreements are annual fiscal year contracts that are subject to the availability of funding. The agreements contain a lease to purchase provision and there is no penalty for discontinuing the lease and turning back equipment prior to the completion of the agreement. There were no capital leases in fiscal years 2010 or 2009.

## **O. Federal Employee Retirement Benefits**

Approximately 24 percent and 25 percent of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2010 and 2009, respectively, to which the Library makes contributions equal to 7.0 percent of pay. Approximately 3 and 2 percent of employees under CSRS during fiscal years 2010 and 2009 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 73 percent and 72 percent of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2010 and 2009, respectively, to which the Library's normal contribution was 11.2 percent of pay during fiscal years 2010 and 2009. Additionally, for employees under FERS, the Library contributes an automatic 1% of employee's pay, plus matches employee Thrift Savings Plan (TSP) contributions up to 4 percent of pay (matched dollar-for-dollar on the first 3 percent of pay and 50 cents on the dollar for the next 2 percent of pay). Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share.

Approximately 3 percent of the Library's employees were covered only by FICA during fiscal years 2010 and 2009, to which the Library contributes the employer's matching share.

The accrued contributions due at the end of the fiscal year are reported as liabilities covered by budgetary resources.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of Social Security, FERS and CSRS is not allocated to individual Federal departments and agencies. However, in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," current year expenses were recorded for the service cost of the Library's employee retirement, health and life insurance benefits during fiscal years 2010 and 2009, and was offset by an imputed financing source, which represents the amount being financed directly by OPM.

With the fiscal year 2010 implementation of SFFAS No. 33, Pensions, Other Retirement Benefits and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates, there are significant changes to the actuarial assumptions for the retirement benefit service costs. SFFAS No. 33 required a change to the long term economic assumptions used in the reporting of actuarial liabilities for CSRS and FERS. In addition, the Defense Authorization Act for Fiscal Year 2010 included

provisions to provide credit under FERS for unused sick leave balances at retirement, and to allow for redeposit of refunded FERS contributions for employees returning to federal service. This change significantly increased the imputed cost recognized by the Library. In fiscal year 2010 CSRS program costs increased by \$2.9 million and FERS program costs increased by \$3.7 million.

## **P. Federal Government Transactions**

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity. The financial statements do not contain the cost of activities performed for the benefit of the entire government, nor do they include the agency's share of the federal deficit or of public borrowings, including interest thereon. However, expenses have been recognized for expenses incurred by certain other agencies on behalf of the Library, including settlement of claims and litigation paid by the Treasury's Judgment Fund and the partial funding of employee benefits by OPM.

The Library's program for the blind and physically handicapped participates in the U.S. Postal Service's (USPS) "Matter for Blind and Other Handicapped Persons" program (39 U.S.C. 3403 - 3406). This Postal Service program receives an appropriation from Congress to provide free postage for qualifying organizations, programs, and individuals such as mail from war zones, letters from blind people to anyone, and organizations that work for the blind. The Library's National Library Service for the Blind and Physically Handicapped uses this free matter program for mailing all books and equipment to its participating lending libraries and patrons. No cost for this has been determined, nor included in the Library's financial statements as the Library views the relationship with the USPS and state and local libraries as a partnership and not inter-entity costs.

Services Provided to other Federal Agencies:

- The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other data base retrieval services through data base vendors and in-house research studies. These services are provided on a cost reimbursement basis and are billed in advance of providing the services. At year-end the Library estimates the amount received in advance (Advances From Others - Intragovernmental) and the amount to be received for services provided (Accounts Receivable - Intragovernmental).
- The Library is authorized to provide to other legislative branch agencies financial system hosting services. These services are provided on a cost reimbursement basis in accordance with the Economy Act.

Services Provided by other Federal Agencies:

Three governmental agencies provide administrative services to the Library on a reimbursable basis.

- The Department of Agriculture's National Finance Center (NFC) processes the Library's personnel, payroll, and employee benefits accounting transactions.
- The Library utilizes the services of the Department of State as documented by the International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices.
- General Services Administration (GSA) provides building and vehicle leasing services for the Library.

## **Q. Related Party Organizations**

The Library lends support to several related organizations, projects, and programs from which it receives benefits in various forms. The following is a list of these organizations or programs:

1. **Telephone Pioneers of America** - The Telephone Pioneers is a large industry-related organization that voluntarily repairs playback machines for the blind and physically handicapped program. Approximately

1,500 Telephone Pioneers (AT&T retirees) and Elfun's (General Electric retirees) donate their time to repair the cassette book machines and talking book machines.

2. **Library of Congress Child Care Association (LCCCA)** - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street, District of Columbia. The center provides childcare for Library employees and other federal and non-federal employees. Its operations, management, and employees are the responsibility of the LCCCA and not the Library. However, the Library and the Architect of the Capitol support the center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. In addition, the Library, in accordance with Public Law 106-554, pays the government contributions for individuals receiving health, life and retirement benefits provided by the Office of Personnel Management. The Library provides an official who is a non-voting representative on the center's Board of Directors and who acts as a liaison with the Library.
3. **The Archer M. Huntington Charitable Trust** - This charitable trust was established in 1936 and is controlled and invested by the Bank of New York. The assets of the endowment are not a part of the TFB and the board's only control over its investment activities is through the Librarian of Congress' role as trustee. The trust is defined as a split-interest agreement with a fair value of assets of \$4.4M and \$4.3M at September 30, 2010 and 2009, respectively. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultantship to bring "distinguished men of letters . . ." to the Library. Currently, the income assists in the funding of a "poet laureate" position, the acquisition of materials for the Library's Hispanic collections, and the promotion of activities of the Hispanic Division, particularly those that relate to Spain, Portugal and Latin America.
4. **Ira and Leonore Gershwin Trust Fund and Related Charitable Trust** - Under the will of Mrs. Leonore Gershwin, the TFB is the beneficiary of 37.5 percent of Mrs. Gershwin's "1987 Trust." The will established the "Library Charitable Trust" which was accepted by the TFB in January 1992. The primary purpose of the trust is to perpetuate the name and works of George and Ira Gershwin through all resources of the Library. The charitable trust does not belong to the Library but is a separate entity administered by trustees. The net income of the charitable trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund yearly or upon the request of the Library. Income is recorded by the Library in the period received. The balance of the Principal of the charitable trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin.

## **R. Accounting Change**

Beginning in fiscal year 2009, the Library adopted SFFAS No. 31, "Accounting for Fiduciary Activities," which was effective October 1, 2009. Earlier adoption was not permitted, and the standard precludes restating prior period amounts presented in the financial statements and notes.

Beginning in fiscal year 2009, the Library's Balance Sheet, Statement of Net Cost and Statement of Net Position, as well as notes related to specific items on those statements, will no longer include the results of operations and financial position of its funds identified as "fiduciary activities." (See Note 21).

Fiduciary activities were included in the statements of the Library as assets and custodial liability on the Balance Sheet, its activities were included in the Statement of Net Cost and in the Statement of Changes in Net Position, and disclosed in the notes as "Custodial" Funds, Balances or Activities in fiscal years 2008 and prior.

<b>NOTE 2</b>	<b>FUND BALANCE WITH TREASURY</b>
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**A. Fund balance with Treasury at September 30, 2010 and 2009, is summarized as follows:**

(in thousands)

	<b>FY 2010</b>	<b>FY 2009</b>
Appropriated Funds	\$ 248,364	\$ 250,257
Revolving and Reimbursable Funds	84,821	83,657
Gift and TFB Funds <sup>1</sup>	15,675	15,165
Deposit and Other Funds	1,557	1,340
<b>TOTAL</b>	<b>\$ 350,417</b>	<b>\$ 350,419</b>

<sup>1</sup> At September 30, 2010 and 2009, the gift and TFB fund balance with Treasury included \$10 million invested in the permanent loan, which is included in fund balance with Treasury, at interest rates of 4.02 and 4.06 percent, respectively.

**B. Status of Fund Balance with Treasury**

(in thousands)

	<b>FY 2010</b>	<b>FY 2009</b>
Unobligated Balances – Available	\$ 33,806	\$ 58,711
Unobligated Balances – Unavailable	28,846	24,357
Obligated Balances Not Yet Disbursed	286,208	266,011
Non-budgetary	1,557	1,340
<b>TOTAL</b>	<b>\$ 350,417</b>	<b>\$ 350,419</b>

<b>NOTE 3</b>	<b>CUSTODIAL FUNDS</b>
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Beginning in 2009 and in accordance with SFFAS No. 31, fiduciary custodial assets and liabilities are no longer reported on the balance sheet. See Note 1.R for a description of the accounting change. See Note 21 for reporting on fiduciary assets, liabilities and activity.

**NOTE 4      INVESTMENTS, NET**

Investments at September 30, 2010 and 2009 are as follows:

FY 2010	(in thousands)		
	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 42,594	\$	\$ 42,594
Cost		84,761	84,761
Unamortized Premium	(0)		(0)
Unrealized Discount	(11)		(11)
Interest Receivable	0		0
<b>Investments, Net</b>	<b>\$ 42,583</b>	<b>\$ 84,761</b>	<b>\$ 127,344</b>
<b>Market Value</b>	<b>\$ 42,583</b>	<b>\$ 84,979</b>	<b>\$ 127,562</b>

FY 2009	(in thousands)		
	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 42,495	\$	\$ 42,495
Cost		97,044	97,044
Unamortized Premium	(0)		(0)
Unrealized Discount	(9)		(9)
Interest Receivable	0		0
<b>Investments, Net</b>	<b>\$ 42,486</b>	<b>\$ 97,044</b>	<b>\$ 139,530</b>
<b>Market Value</b>	<b>\$ 42,488</b>	<b>\$ 78,848</b>	<b>\$ 121,336</b>

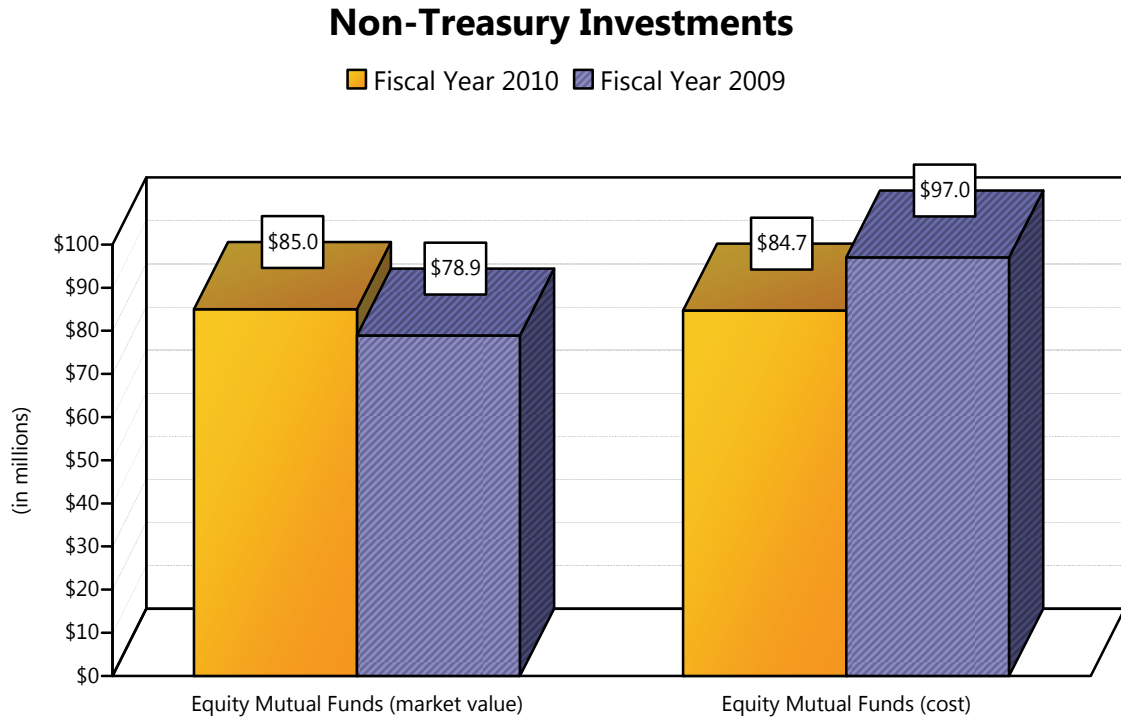
**A. Intragovernmental Investments**

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. TFB fund investment maturity dates for fiscal years 2010 and 2009 range from October 7, 2010 to March 11, 2011 and October 1, 2009 to March 4, 2010, respectively, and interest rates for the same fiscal years range from .12 percent to .19 percent and .09 percent to .22 percent, respectively.

**B. Other Investments**

Other investments are the Library's investments in private sector mutual funds. Cost was derived from the investments made plus reinvested gains, dividends, and interest.

Balances at September 30, 2010 and 2009 are as follows:





<b>NOTE 5</b>	<b>RECEIVABLES</b>
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The breakdown of consolidated gross and net accounts receivable at September 30, 2010 and 2009 are as follows:

**A. Accounts Receivable**

(in thousands)		
	FY 2010	FY 2009
Intragovernmental Accounts Receivable, Gross and Net	\$ 11,848	\$ 12,100
With the Public:		
Accounts Receivable, Gross	349	534
Less: Allowance for Doubtful Accounts	(14)	(21)
Accounts Receivable, Net	\$ 335	\$ 513

**B. Pledges Receivable**

At September 30, 2010 and 2009, the Library had unconditional pledges of contributions totaling \$19.9 million and \$15.8 million, which were discounted through fiscal years 2033 and 2033 at a market discount rate and included in the statement of financial position at their discounted value of \$19.2 million and \$14.8 million, respectively.

The amounts due in future years, at September 30, at their current discounted value are:

(in thousands)		
	FY 2010	FY 2009
2010	\$	\$ 5,154
2011	\$10,584	4,785
2012	5,154	3,399
2013	981	28
2014	963	26
2015 and thereafter	1,526	1,367
<b>TOTAL</b>	<b>\$ 19,208</b>	<b>\$ 14,759</b>

<b>NOTE 6</b>	<b>PROPERTY AND EQUIPMENT</b>
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Property and equipment that were capitalized at September 30, 2010 and 2009 are as follows:

(in thousands)

Classes of Property and Equipment	FY 2010			FY 2009		
	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Operating Equipment	\$ 67,575	\$ 52,283	\$ 15,292	\$ 63,311	\$ 47,780	\$ 15,531
Software	59,385	32,063	27,322	55,228	27,379	27,849
Furniture & Furnishings	2,224	937	1,287	2,224	815	1,409
Leasehold Improvements	37,483	15,828	21,655	34,445	13,481	20,964
Leasehold Improvements-in Progress	1,459	0	1,459	3,385	0	3,385
<b>TOTAL</b>	<b>\$ 168,126</b>	<b>\$ 101,111</b>	<b>\$ 67,015</b>	<b>\$ 158,593</b>	<b>\$ 89,455</b>	<b>\$ 69,138</b>

<b>NOTE 7</b>	<b>NON-ENTITY ASSETS</b>
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Entity assets are those assets that the Library has authority to use for its operations. Non-entity assets are those held by the Library but are not available for use in its operations.

(in thousands)

	FY 2010		FY 2009	
Intragovernmental Non-Entity Assets	\$	0	\$	0
Accounts Receivable-with the Public		24		26
<b>Total Non-Entity Assets</b>	\$	24	\$	26
<b>Total Entity Assets</b>	\$	578,799	\$	569,624
<b>Total Assets</b>	\$	578,823	\$	569,650

<b>NOTE 8</b>	<b>LEASES</b>
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**A. Capital Leases**

The Library did not have assets under capitalized leases for machinery and equipment as of September 30, 2010 and 2009.

**B. Operating Leases**

The Library leases office space and vehicles from the General Services Administration and has entered into other operating leases for various types of equipment. Additionally, the Library's overseas field offices lease operating space from the Department of State.

Lease costs for office space, vehicles and equipment for fiscal years 2010 and 2009 amounted to \$4,572,895 and \$4,556,046 respectively.

Under existing commitments as of September 30, estimated future minimum lease payments are as follows:

	(in thousands)	
	FY 2010	FY 2009
2010	\$ 0	\$ 4,444
2011	5,391	1,589
2012	261	222
2013	160	121
2014	117	78
2015 and thereafter	12	0
<b>TOTAL ESTIMATED FUTURE LEASE PAYMENTS</b>	<b>\$ 5,941</b>	<b>\$ 6,454</b>

<b>NOTE 9</b>	<b>WORKERS' COMPENSATION</b>
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The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees 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 Library employees under FECA are administered by the Department of Labor (DOL) and later billed to the Library.

The Library is using estimates provided by DOL to report the FECA liability. The Library accrued \$1,755,799, and \$1,657,043 of unbilled or unpaid workers' compensation costs as of September 30, 2010 and 2009, respectively. The amount owed to DOL is reported on the Library's Balance Sheet as an intragovernmental liability. The Library also established an estimated unfunded liability payable to employees, for future costs based on historical claims rates. The estimated future unfunded liability is \$7,461,253, and \$6,743,165 as of September 30, 2010 and 2009 respectively, and is based on a ten-year projection. This liability is recorded on the Balance Sheet as a liability with the public.

<b>NOTE 10</b>	<b>CONTINGENT LIABILITIES</b>
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Several claims relating to employment matters are outstanding against the Library. While management cannot predict the outcome of the claims and is unable to estimate the potential loss, the maximum loss under each claim may not exceed \$300,000 in compensatory damages, plus any equitable relief (back pay, front pay, attorney's fees). Under law, any claims settled internally would be paid from the Library's funds and any claims defended in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

<b>NOTE 11</b>	<b>OTHER LIABILITIES</b>
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Other Liabilities as of September 30, 2010 and 2009 are comprised of the following:

	(in thousands)	
	FY 2010	FY 2009
Other Liabilities-Intragovernmental:		
Deferred Credits	\$ (16)	\$ (7)
Liability for Clearing Accounts	146	68
Total Intragovernmental	130	61
Other Liabilities-With the Public		
Deferred Credits and Pledges	461	1,096
Advances from the Public	4,830	1,699
Total with the Public	5,291	2,795
<b>TOTAL</b>	<b>\$ 5,421</b>	<b>\$ 2,856</b>

<b>NOTE 12</b>	<b>LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES</b>
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	(in thousands)	
	FY 2010	FY 2009
Liabilities Covered by Budgetary Resources	\$ 126,449	\$ 120,794
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental	1,756	1,657
With the Public	33,756	32,348
<b>TOTAL</b>	<b>\$ 161,961</b>	<b>\$ 154,799</b>

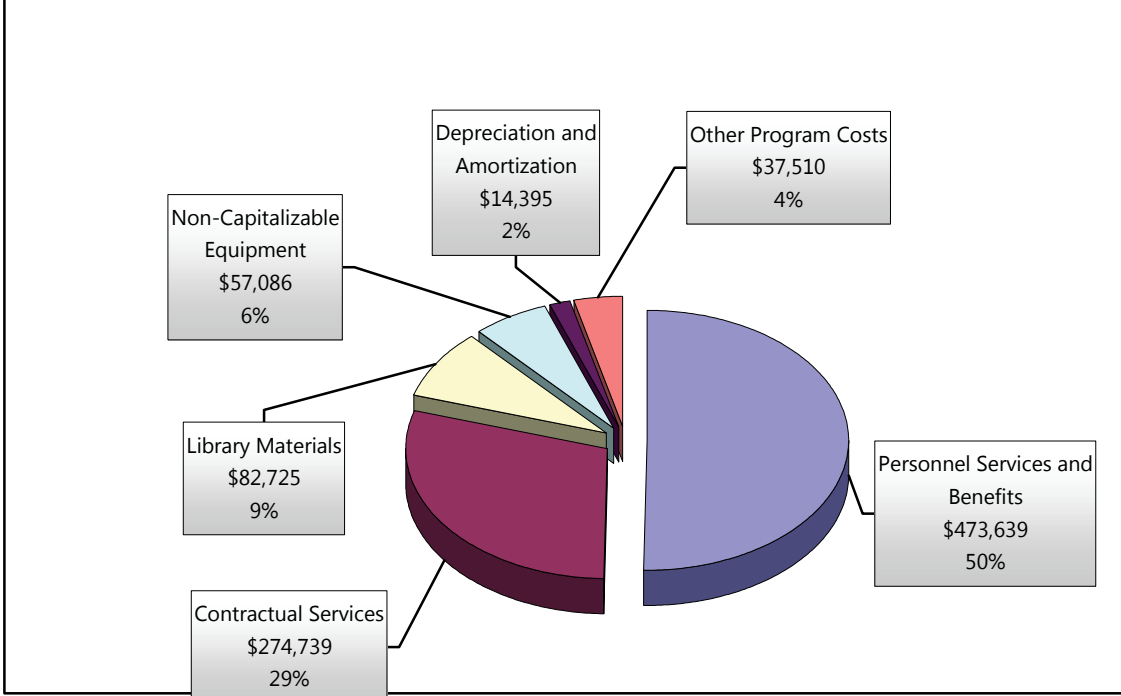
Liabilities covered by budgetary resources include accounts payable, advances from others, accrued funded payroll and benefits, custodial liabilities, deposit account liabilities, advances from the public, and deferred credits.

Liabilities not covered by budgetary resources include accrued unfunded annual and compensatory leave, accrued unfunded workers compensation, and other unfunded liabilities.

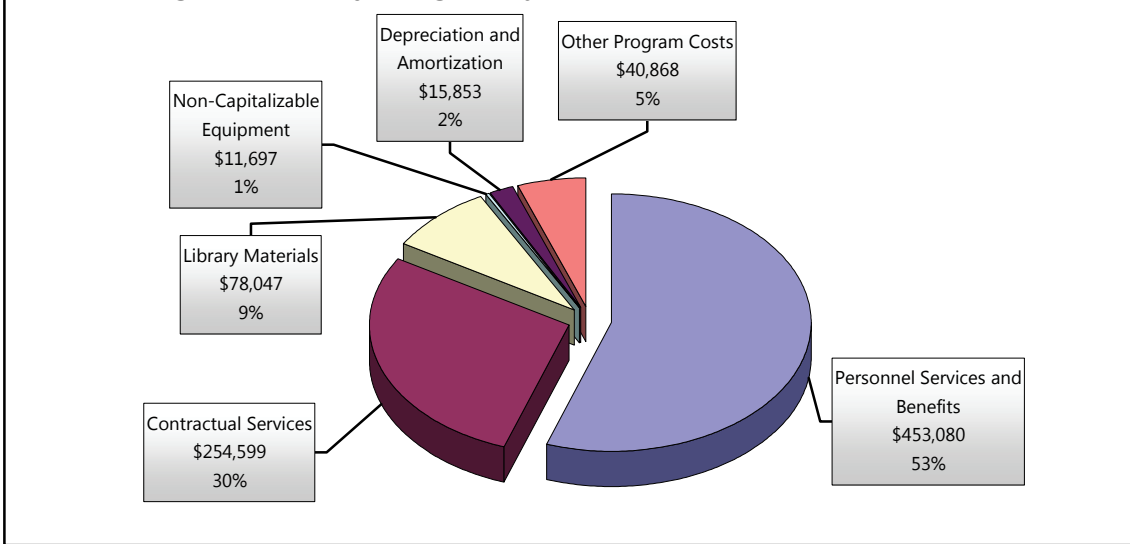
**NOTE 13      PROGRAM COSTS BY BUDGET OBJECT CLASSIFICATION**

(Dollars in Thousands)

**FY 2010 Program Costs by Budget Object Classification**



**FY 2009 Program Costs by Budget Object Classification**



The Library’s collections are classified as “heritage assets.” \$27.3 million and \$25.4 million of the amount designated as “Library Materials” above represents the fiscal years 2010 and 2009 cost incurred by the Library for “heritage assets.”

**NOTE 14****PROGRAM COSTS AND EARNED REVENUE  
BY FUNCTIONAL CLASSIFICATION****A. Program Costs by Functional Classification**

	(in thousands)	
	FY 2010	FY 2009
Commerce and Housing Credit	\$ 64,908	\$ 56,813
Education, Training, Employment, and Social Services	750,652	679,371
General Government	124,534	117,960
<b>TOTAL</b>	<b>\$ 940,094</b>	<b>\$ 854,144</b>

**B. Earned Revenue by Functional Classification**

	(in thousands)	
	FY 2010	FY 2009
Commerce and Housing Credit	\$ 38,473	\$ 30,027
Education, Training, Employment, and Social Services	98,626	87,660
General Government	6	10
<b>TOTAL</b>	<b>\$ 137,105</b>	<b>\$ 117,697</b>

**NOTE 15****EXCHANGE REVENUES**

In accordance with Library of Congress Regulation (LCR) 1510, Financial Services, the Library must comply with any OMB circular or bulletin if it is specifically prescribed in (1) an LCR, (2) an OCFO Directive, or (3) if required by law. OMB Circular No. A-25, User Charges, does not fall into any of these three categories, but may be used by the Library as a useful point of reference. Circular No. A-25 requires that user charges be sufficient to recover the full costs to the federal government. Full costs include all direct and indirect costs to any part of the federal government of providing the good or service, including unreimbursed inter-entity costs.

The Copyright Office's registration operations have legislatively mandated fees, which do not require the recovery of the full costs of operations. The Register is authorized to fix fees at a level not more than necessary to recover reasonable costs incurred for services plus a reasonable adjustment for inflation. Fees should also be fair and equitable and give due consideration to the objectives of the copyright system.

If the Library were to increase fees and prices to recover full costs to the government for providing these goods and services, this would in some cases reduce the quantity of goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue foregone from charging fees that do not recover full costs to the government and (2) to what extent the quantity of goods and services demanded would change as a result of changes in prices and fees.

<b>NOTE 16</b>	<b>PROGRAM COSTS AND EARNED REVENUE FOR REVOLVING FUNDS</b>
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		(in thousands)	
		FY 2010	FY 2009
<b>Audio Visual Services:</b>	Program Cost	\$ 185	\$ 127
	Less: Earned Revenue	(117)	(104)
	<b>Net Program Cost</b>	<b>68</b>	<b>23</b>
<b>Cooperative Acquisitions Program:</b>	Program Cost	2,648	2,490
	Less: Earned Revenue	(2,867)	(2,813)
	<b>Net Program Cost</b>	<b>(219)</b>	<b>(323)</b>
<b>Decimal Classification:</b>	Program Cost	212	247
	Less: Earned Revenue	(170)	(306)
	<b>Net Program Cost</b>	<b>42</b>	<b>(59)</b>
<b>Document Reproduction and Microfilm Services:</b>	Program Cost	1,987	2,195
	Less: Earned Revenue	(1,033)	(1,086)
	<b>Net Program Cost</b>	<b>954</b>	<b>1,109</b>
<b>Gift Shop Operations:</b>	Program Cost	1,659	1,564
	Less: Earned Revenue	(1,726)	(1,552)
	<b>Net Program Cost</b>	<b>(67)</b>	<b>12</b>
<b>Federal Research Division:</b>	Program Cost	2,835	3,038
	Less: Earned Revenue	(3,184)	(3,508)
	<b>Net Program Cost</b>	<b>(349)</b>	<b>(470)</b>
<b>FEDLINK:</b>	Program Cost	81,970	73,217
	Less: Earned Revenue	(82,282)	(71,876)
	<b>Net Program Cost</b>	<b>(312)</b>	<b>1,341</b>
<b>Special Events:</b>	Program Cost	2,645	2,586
	Less: Earned Revenue	(1,344)	(1,111)
	<b>Net Program Cost</b>	<b>1,301</b>	<b>1,475</b>
	<b>Total Program Cost</b>	<b>94,141</b>	<b>85,464</b>
	<b>Less: Total Earned Revenue</b>	<b>(92,723)</b>	<b>(82,356)</b>
	<b>TOTAL PROGRAM COSTS</b>	<b>\$ 1,418</b>	<b>\$ 3,108</b>

These programs are discussed further in Note 1.D.

**NOTE 17 CLASSIFICATION OF PROGRAM COSTS**

(in thousands)

FY 2010	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$ 126,123	\$ 54	\$ 359,119	\$ 35	\$ 485,331
Law Library	7,342	2	18,133		25,477
Copyright Office	19,934	16	61,376		81,326
Congressional Research Service	32,774	30	115,620		148,424
National Library Service for the Blind and Physically Handicapped	6,029	7	83,365		89,401
Revolving and Reimbursable Funds	4,674	33	105,428		110,135
<b>TOTAL</b>	<b>\$ 196,876</b>	<b>\$ 142</b>	<b>\$ 743,041</b>	<b>\$ 35</b>	<b>\$ 940,094</b>

(in thousands)

FY 2009	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$ 121,409	\$ 24	\$ 340,272	\$ 204	\$ 461,909
Law Library	7,813	1	17,172		24,986
Copyright Office	19,036	5	54,845		73,886
Congressional Research Service	31,550	19	107,842		139,411
National Library Service for the Blind and Physically Handicapped	6,533	5	45,494		52,032
Revolving and Reimbursable Funds	6,907	19	94,994		101,920
<b>TOTAL</b>	<b>\$ 193,248</b>	<b>\$ 73</b>	<b>\$ 660,619</b>	<b>\$ 204</b>	<b>\$ 854,144</b>



<b>NOTE 18</b>	<b>EARMARKED FUNDS</b>
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SFFAS No. 27, "Identifying and Reporting Earmarked Funds," effective October 1, 2005, defines "earmarked funds" as those being financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. The Library's consolidated financial statements include the results of operations and financial position of its funds identified as "earmarked funds." The Library's earmarked funds are presented among the following classifications:

- Collections of fees authorized annually for use by appropriations act for:
  - The Cataloging Distribution Service (CDS), which is the distribution arm for the Library of Congress bibliographic data and related technical publications. Pursuant to 2 U.S.C. 150, CDS sells its products to libraries throughout the United States and around the world and charges "...a price which will cover their costs plus ten per centum added." CDS earned revenues were \$3,528,043 and \$3,775,257 for fiscal year 2010 and 2009, respectively.
  - The Law Library, pursuant to Public Law 105-275, Section 208, is authorized to receive funds from participants in and sponsors of an international legal information database (known as the Global Legal Information Network (GLIN)) led by the Law Library of Congress. Fees collected for the development and maintenance of GLIN were \$15,000 and \$20,000 for fiscal year 2010 and 2009, respectively; and
  - The Copyright Office, pursuant to 17 U.S.C. 708(d), is authorized to collect fees for the registration of a copyright claim and other copyright recordation and filing activities. Fees collected for these services were \$27,798,705 and \$27,110,693 for fiscal 2010 and 2009, respectively.
  - The Recycling Program, pursuant to Public Law 108-199, Section 607, is authorized to collect funds resulting from the sale of materials recovered through the recycling program. Fees collected for the program were \$12,203 and \$26,386 for the fiscal years 2010 and 2009.
- Public Revolving Funds authorized by 2 U.S.C. 182 for the Cooperative Acquisitions, Audio and Video Duplication, Gift Shop Operations, Decimal Classification, Document Reproduction and Microfilm Services, and Special Events (these programs are discussed further in Note 1.D. and 16);
- Gift and TFB Funds authorized by 2 U.S.C. 154-163 (and discussed further in Note 1. E.). Gift and TFB Fund cash donations and other realized revenues were \$21,277,082 and \$17,257,472 for fiscal year 2010 and 2009, respectively; and
- Other earmarked funds not outlined above (combined revenues of \$7,685 and \$1,597 for fiscal year 2010 and 2009, respectively), including: The Oliver Wendell Holmes Devise Fund, which is authorized to fund lectures known as the "Oliver Wendell Holmes Lectures" and other projects pertaining to Justice Holmes or the Supreme Court (Pursuant to Public Law 84-247); The Gertrude M. Hubbard Bequest, which benefits the Gardiner Greene Hubbard Collection (Pursuant to 37 Stat. 319-20); and the Foreign Service National Separation Liability Trust Fund, which is authorized to provide the separation pay for foreign national employees (Pursuant to Section 151 of Public Law 102-138); and in 2010, \$5,658,800 for the Copyright Licensing Division, which is authorized under the Copyright Act (17 U.S.C.) to collect fees to cover and pay administrative costs.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited into the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Library as evidence of its receipts. Treasury securities are an asset to the Library and a liability to the U.S. Treasury. Because the Library and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury Securities provide the Library with authority to draw upon the U.S. Treasury to make future expenditures. When the Library requires redemption of these securities to make expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or

other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way the Government finances all other expenditures.

Fiscal data as of, and for the year ended September 30, 2010 is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

(in thousands)

<b>FY 2010</b>	<b>Offsetting Collections Funds</b>	<b>Public Revolving Funds</b>	<b>Gift and TFB Funds</b>	<b>Other Earmarked Funds</b>	<b>Total Earmarked Funds</b>
<b>Balance Sheet:</b>					
Fund Balance with Treasury	\$ 18,905	\$ 7,760	\$ 14,442	\$ 1,233	\$ 42,340
Investments in U.S. Treasury Securities	0	0	37,056	67	37,123
Other Assets	10,678	757	106,138	0	117,573
<b>Total Assets</b>	<b>\$ 29,583</b>	<b>\$ 8,517</b>	<b>\$ 157,636</b>	<b>\$ 1,300</b>	<b>\$ 197,036</b>
<b>Liabilities</b>					
Cumulative Results of Operations	24,008	3,769	156,137	1,300	185,214
<b>Total Liabilities and Net Position</b>	<b>\$ 29,583</b>	<b>\$ 8,517</b>	<b>\$ 157,636</b>	<b>\$ 1,300</b>	<b>\$ 197,036</b>
<b>Statement of Net Cost:</b>					
Program Costs	\$ 34,048	\$ 9,896	\$ 15,053	\$ 5,715	\$ 64,712
Less: Earned Revenue	(31,354)	(9,082)	(1,185)	(5,659)	(47,280)
<b>Net Cost of Operations</b>	<b>\$ 2,694</b>	<b>\$ 814</b>	<b>\$ 13,868</b>	<b>\$ 56</b>	<b>\$ 17,432</b>
<b>Statement of Changes in Net Position:</b>					
Net Position, Beginning	\$ 24,340	\$ 3,336	\$ 144,772	\$ 1,071	\$ 173,519
Net Cost	(2,694)	(814)	(13,868)	(56)	(17,432)
Non-Exchange Revenues and Donation Receipts	0	0	16,656	8	16,664
Other Financing Sources	2,362	1,247	8,577	277	12,463
<b>Change in Net Position</b>	<b>(332)</b>	<b>433</b>	<b>11,365</b>	<b>229</b>	<b>11,695</b>
<b>Net Position, Ending</b>	<b>\$ 24,008</b>	<b>\$ 3,769</b>	<b>\$ 156,137</b>	<b>\$ 1,300</b>	<b>\$ 185,214</b>

Fiscal data as of, and for the year ended September 30, 2009 is summarized below.

(in thousands)

FY 2009	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Other Earmarked Funds	Total Earmarked Funds
<b>Balance Sheet:</b>					
Fund Balance with Treasury	\$ 17,908	\$ 7,590	\$ 14,160	\$ 1,005	\$ 40,663
Investments in U.S. Treasury Securities	0	0	36,919	66	36,985
Other Assets	11,417	707	94,792	0	106,916
<b>Total Assets</b>	<b>\$ 29,325</b>	<b>\$ 8,297</b>	<b>\$ 145,871</b>	<b>\$ 1,071</b>	<b>\$ 184,564</b>
<b>Liabilities</b>					
Liabilities	\$ 4,985	\$ 4,961	\$ 1,099	\$ 0	\$ 11,045
Cumulative Results of Operations	24,340	3,336	144,772	1,071	173,519
<b>Total Liabilities and Net Position</b>	<b>\$ 29,325</b>	<b>\$ 8,297</b>	<b>\$ 145,871</b>	<b>\$ 1,071</b>	<b>\$ 184,564</b>
<b>Statement of Net Cost:</b>					
Program Costs	\$ 34,645	\$ 9,897	\$ 17,498	\$ 69	\$ 62,109
Less: Earned Revenue	(30,932)	(8,774)	(906)	0	(40,612)
<b>Net Cost of Operations</b>	<b>\$ 3,713</b>	<b>\$ 1,123</b>	<b>\$ 16,592</b>	<b>\$ 69</b>	<b>\$ 21,497</b>
<b>Statement of Changes in Net Position:</b>					
Net Position, Beginning	\$ 26,156	\$ 3,248	\$ 146,878	\$ 1,036	\$ 177,318
Net Cost	(3,713)	(1,123)	(16,592)	(69)	\$ (21,497)
Non-Exchange Revenues and Donation Receipts	0	0	16,119	2	16,121
Other Financing Sources	1,897	1,211	(1,633)	102	1,577
<b>Change in Net Position</b>	<b>(1,816)</b>	<b>88</b>	<b>(2,106)</b>	<b>35</b>	<b>(3,799)</b>
<b>Net Position, Ending</b>	<b>\$ 24,340</b>	<b>\$ 3,336</b>	<b>\$ 144,772</b>	<b>\$ 1,071</b>	<b>\$ 173,519</b>

<b>NOTE 19</b>	<b>BUDGETARY RESOURCES</b>
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Budgetary resources are classified as follows:

(in thousands)

	FY 2010			FY 2009		
	Appropriated Capital	Non- Appropriated Capital	Combined	Appropriated Capital	Non- Appropriated Capital	Combined
<b><i>Budgetary Resources:</i></b>						
Unobligated Balance, Brought Forward, October 1	\$ 42,871	\$ 1,248,129	\$ 1,291,000	\$ 21,682	\$ 1,251,940	\$ 1,273,622
Recoveries of Prior-Year Obligations	19,143	15,289	34,432	11,649	10,001	21,650
<b><i>Budget Authority:</i></b>						
Appropriation	643,337	24,001	667,338	607,096	286,320	893,416
<i>Spending Authority from Offsetting Collections:</i>						
<i>Earned:</i>						
Collected	281	150,712	150,993	403	132,120	132,523
Change in Receivables from Federal Sources	(242)	1,037	795	349	(170)	179
<i>Change in Unfilled Customer Orders:</i>						
Advances Received	0	(3,808)	(3,808)	0	2,939	2,939
Without Advances from Federal Sources	0	(767)	(767)	0	3,726	3,726
Expenditure Transfers from Trust Funds						
<b>Subtotal Budget Authority</b>	<b>643,376</b>	<b>171,175</b>	<b>814,551</b>	<b>607,848</b>	<b>424,935</b>	<b>1,032,783</b>
Nonexpenditure Transfers, Net	(1,137)	0	(1,137)	(2,411)	560	(1,851)
Temporarily Not Available Pursuant to Public Law				0	0	0
Permanently Not Available	(7,190)		(7,190)	(5,061)	(29)	(5,090)
<b>Total Budgetary Resources</b>	<b>\$ 697,063</b>	<b>\$ 1,434,593</b>	<b>\$ 2,131,656</b>	<b>\$ 633,707</b>	<b>\$ 1,687,407</b>	<b>\$ 2,321,114</b>
<b><i>Status of Budgetary Resources:</i></b>						
<b><i>Obligations Incurred:</i></b>						
Direct	\$ 671,168	\$ 1,205,636	\$ 1,876,804	\$ 590,836	\$ 301,494	\$ 892,330
Reimbursable		164,782	164,782		137,784	137,784
<b>Total Obligations Incurred</b>	<b>671,168</b>	<b>1,370,418</b>	<b>2,041,586</b>	<b>590,836</b>	<b>439,278</b>	<b>1,030,114</b>
Unobligated Balance (Exempt from Apportionment)	7,941	63,275	71,216	29,437	1,247,231	1,276,668
Unobligated Balance – Not Available	17,954	900	18,854	13,434	898	14,332
<b>Total Status of Budgetary Resources</b>	<b>\$ 697,063</b>	<b>\$ 1,434,593</b>	<b>\$ 2,131,656</b>	<b>\$ 633,707</b>	<b>\$ 1,687,407</b>	<b>\$ 2,321,114</b>

(in thousands)

	FY 2010			FY 2009		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<b>Change in Obligated Balance:</b>						
<i>Unpaid Obligated Balance, Net, Brought Forward, October 1:</i>						
Unpaid Obligations, Brought Forward	\$ 207,917	\$ 70,096	\$ 278,013	\$ 212,578	\$ 68,722	\$ 281,300
Less: Uncollected Customer Payments, Brought Forward	(490)	(12,002)	(12,492)	(141)	(8,446)	(8,587)
<b>Total Unpaid Obligation Balance, Net</b>	<b>207,427</b>	<b>58,094</b>	<b>265,521</b>	<b>212,437</b>	<b>60,276</b>	<b>272,713</b>
Obligations Incurred, net	671,168	1,370,418	2,041,586	590,836	439,278	1,030,114
Less: Gross Outlays	(637,186)	(1,349,504)	(1,986,690)	(583,848)	(427,903)	(1,011,751)
Less: Recoveries of Prior-Year Unpaid Obligations	(19,143)	(15,289)	(34,432)	(11,649)	(10,001)	(21,650)
Change in Uncollected Customer Payments from Federal Sources	242	(271)	(29)	(349)	(3,556)	(3,905)
<i>Total Unpaid Obligated Balance, Net:</i>						
Unpaid Obligations	222,756	75,721	298,477	207,917	70,096	278,013
Less: Uncollected Customer Payments from Federal Sources	(248)	(12,273)	(12,521)	(490)	(12,002)	(12,492)
<b>Total Unpaid Obligated Balance, Net, End of Period</b>	<b>\$ 222,508</b>	<b>\$ 63,448</b>	<b>\$ 285,956</b>	<b>\$ 207,427</b>	<b>\$ 58,094</b>	<b>\$ 265,521</b>
<b>Net Outlays:</b>						
Gross Outlays	\$ 637,186	\$ 1,349,504	\$ 1,986,690	\$ 583,848	\$ 427,903	\$ 1,011,751
Less: Offsetting Collections	(281)	(146,904)	(147,185)	(403)	(135,059)	(135,462)
Less: Distributed Offsetting Receipts	0	(1,471)	(1,471)	0	(6,404)	(6,404)
<b>Total Net Outlays</b>	<b>\$ 639,905</b>	<b>\$ 1,201,129</b>	<b>\$ 1,838,034</b>	<b>\$ 583,445</b>	<b>\$ 286,440</b>	<b>\$ 869,885</b>

For TFB funds, approximately \$10.1 and \$10.0 million of unobligated authority for fiscal years 2010 and 2009, respectively, at the donor's request, is restricted from being spent on program costs (income from investing restricted donations under the Library's Total Return Policy can be spent on program costs). These amounts are invested either in the permanent loan or in Treasury securities. An additional \$73.9 and \$79.0 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2010 and 2009, respectively.

Undelivered orders, end of period:

(in thousands)

	FY 2010	FY 2009
Paid	\$ 1,319	\$ 558
Unpaid	217,096	206,887
<b>TOTAL</b>	<b>\$ 218,415</b>	<b>\$ 207,445</b>

NOTE 20	RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET		(in thousands)	
			FY 2010	FY 2009
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>				
Budgetary Resources Obligated:				
	Obligations Incurred	\$ 2,041,586	\$	1,030,114
	Less: Spending Authority from Offsetting Collections and Recoveries	(181,645)		(161,017)
	Obligations Net of Offsetting Collections and Recoveries	1,859,941		869,097
	Less: Distributed Offsetting Receipts	(1,471)		(6,404)
	Net Obligations	1,858,470		862,693
Other Resources:				
	Donations of Property and Services	42,516		44,025
	Imputed Financing from Costs Absorbed by Others	102,710		92,066
	Exchange Revenue not in the Budget	103		48
	Non-exchange Revenue not in the Budget	(579)		(1,315)
	Trust/Special Fund Exchange Revenue Receipts	(7,444)		(305)
	Other Resources (+/-)	4,559		(2,667)
	<b>TOTAL RESOURCES USED TO FINANCE ACTIVITIES</b>	<b>2,000,335</b>		<b>994,545</b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS</b>				
	Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided (+/-)	(9053)		16,259
	Resources that Fund Expenses Recognized in Prior Period	0		(868)
	Resources that Finance the Acquisition of Assets	291		(23,500)
	Budgetary Offsetting Receipts that do not Affect Net Cost of Operations	1,471		6,404
	Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(6,835)		(1,524)
	Fiduciary Obligations Net of Offsetting Collections and Recoveries	(1,180,443)		(276,649)
	<b>TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>	<b>(1,194,569)</b>		<b>(279,878)</b>
	<b>TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS</b>	<b>805,766</b>		<b>714,667</b>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>				
Components Requiring or Generating Resources in Future Periods:				
	Increase in Annual Leave Liability and Actuarial Liability	1,507		2,178
	Other	0		0
	<b>Total Components Requiring or Generating Resources in Future Periods</b>	<b>1,507</b>		<b>2,178</b>
Components not Requiring or Generating Resources:				
	Depreciation and Amortization	14,395		15,853
	Revaluation of Assets or Liabilities	(18,684)		3,717
	Other Costs not Requiring or Generating Budgetary Resources (+/-)	5		32
	<b>Total Components not Requiring or Generating Resources</b>	<b>(4,284)</b>		<b>19,602</b>
	<b>TOTAL COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>	<b>(2,777)</b>		<b>21,780</b>
	<b>NET COST OF OPERATIONS</b>	<b>\$ 802,989</b>	<b>\$</b>	<b>736,447</b>

**NOTE 21**

**Fiduciary Activity and Net Assets (See Note 1.R)**

SFFAS No. 31, "Accounting for Fiduciary Activities," effective October 1, 2009, defines "fiduciary activity" as those Federal Government activities that relate to the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which non-Federal parties have an ownership interest that the Federal Government must uphold.

Fiduciary assets are not assets of the Library of Congress. Beginning in FY 2009, the Library's Balance Sheet, Statement of Net Cost and Statement of Net Position no longer included the results of operations and financial position of its funds identified as "fiduciary activities." The adoption of SFFAS No. 31 had no effect on the Statement of Budgetary Resources (SBR) and the budgetary activities and balances related to the fiduciary activity remained in the SBR during FY 2009. During FY 2010, as authorized by OMB and the Treasury Department, the Library transferred all Copyright Licensing net assets from a Special Fund (in Budget) to a Deposit Fund (non-Budget) by a budgetary outlay out of the Special Fund in the amount of \$1.2 billion. At the end of FY 2010, there was no remaining Unobligated Balance in the SBR for the Copyright Licensing Special Fund. All fiduciary activity will now occur in the non-Budget Deposit Fund and beginning in FY 2011, there will be no fiduciary activity or Unobligated Balance reflected in the SBR for the Copyright Licensing Fiduciary Deposit Fund.

The Library of Congress Copyright Office Licensing Division administers the compulsory and statutory licenses covered by the Copyright Act (17 U.S.C.). The Licensing Division receives royalty fees from cable television operators for retransmitting television and radio broadcasts, from satellite carriers for retransmitting "super station" and network signals, and from importers and manufacturers for distributing digital audio recording technologies (DART). Refunds may arise when a cable, satellite, or DART remitter inadvertently overpays or is otherwise entitled to a refund. Additional royalty fees may also be requested from the remitter when necessary. The Licensing Division invests the licensing royalty fees in market-based U.S. Treasury notes and bills. Because these investments are held in a fiduciary capacity for the copyright owners, income does not accrue to the Library's benefit.

Controversies regarding the distribution of the royalties are resolved by the Copyright Royalty Board (CRB), which is composed of three Copyright Royalty Judges and their staff. The CRB has full jurisdiction over setting royalty rates and terms and determining distributions. Decisions may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

Investments - Copyright royalties collected by the Copyright Office on behalf of copyright owners are invested, net of service fees, in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until distributions are made to copyright owners. Income accrues to the benefit of the copyright owners.

Intragovernmental Investments

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms.

Fiduciary funds investment maturity dates for fiscal year 2010 and 2009 range from October 21 to August 31 2011 and October 15 to August 31, 2010 respectively interest rates for fiscal year 2010 and 2009 range from .012 percent to 4.875 percent and .002 percent to 2.75 percent respectively.

Fiduciary Activity consists of the following:

	(in thousands)	
	FY 2010	FY 2009
<b>Beginning Fiduciary Net Assets</b>	<b>\$ 1,183,263</b>	<b>\$ 0</b>
Implementation of SFFAS#31 (See Note 1.R)	0	1,193,780
<b>Adjusted Beginning Fiduciary Net Assets</b>	<b>1,183,263</b>	<b>1,193,780</b>
Licensing Fees	275,619	262,104
Investment Earnings	809	4,028
Gain (Loss) on Disposition of Investments, Net	0	0
<b>Total Net Inflows to Fiduciary Net Assets</b>	<b>276,428</b>	<b>266,132</b>
Payments to Copyright Owners	(249,269)	(272,871)
Refunds of Licensing Fees	(1,373)	(858)
Retained by Copyright Licensing for Administrative Costs	(5,659)	(2,920)
<b>Total Outflows from Fiduciary Net Assets</b>	<b>(256,301)</b>	<b>(276,649)</b>
<b>Subtotal Net Fiduciary Activity</b>	<b>20,127</b>	<b>(10,517)</b>
<b>ENDING FIDUCIARY NET ASSETS</b>	<b>\$ 1,203,390</b>	<b>\$ 1,183,263</b>

Net Fiduciary Assets consist of the following:

	(in thousands)	
	FY 2010	FY 2009
<b>Fiduciary Assets</b>		
Fiduciary Fund Balance with Treasury	\$ 3,480	\$ 627
Investments in U.S. Treasury Securities	1,199,560	1,182,273
Accrued interest from U.S. Treasury Securities	350	363
Other Assets		0
Less: Accounts Payable		0
<b>TOTAL FIDUCIARY NET ASSETS</b>	<b>\$ 1,203,390</b>	<b>\$ 1,183,263</b>



## THE LIBRARY OF CONGRESS

### Management Report

Fiscal Year Ended September 30, 2010

#### Assessment of Condition of Heritage Assets

The Library has the world's largest library collection, including research materials in over 470 languages and various media. Providing access to this collection inevitably puts it at risk and could impair the Library's ability to serve the Congress and other users in the future. However, the collections exist to be used, and management accepts the responsibility of mitigating risk to the collections at the same time it fulfills its mission of service to the Congress and the nation. Therefore, the Library has chosen to balance the usage of the collection with the long-term preservation requirements of the collections.

As of September 30, 2010, the collections were determined to be in a useable condition for fulfilling its service mission. During fiscal year 2010, only a very small percentage of materials were removed from the collection because of damage caused by use and/or deterioration of the medium. The ultimate useful life of a library item varies by its medium (e.g., book, film, tape, manuscript, disk), and the manner in which it is used and stored.

The Library employs a variety of methods to prolong the useful life of its deteriorating materials, including:

- The establishment of adequate environmental storage conditions
- The usage of binding or other methods to house items
- The mass deacidification of print materials
- The use of surrogates in serving the collections to the public
- The reformatting of collections to other media

The Library has inadequate temperature and humidity control in some collections storage areas; inadequate space for appropriate storage of collections materials; insufficient space for reformatting the acetate negative collection; and insufficient funds for reformatting. These conditions cannot be fully addressed with current funds and physical plant. The move of collections into the storage facility at Ft. Meade, Maryland, is serving to remedy many of these difficulties for books and paper-based materials, and the acquisition of the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia, was a major step in the preservation of film and other media.



UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

**Memorandum**

*Office of the Inspector General*

**TO:** James H. Billington  
Librarian of Congress

March 21, 2011

**FROM:** Karl W. Schornagel  
Inspector General

**SUBJECT:** Results of the Library of Congress FY 2010 Financial Statements Audit

The attached report presents the results of the annual audit of the Library of Congress financial statements for fiscal years (FY) 2010 and 2009.

We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) for the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards; the Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*; and the GAO/PCIE *Financial Audit Manual*.

**Results of Independent Audit**

*Financial Statements*

For the fifteenth consecutive year, we are pleased to report that the auditors issued an unqualified opinion on the Library's financial statements. In its audit, Kearney found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

*Report on Internal Controls*

Kearney's consideration of internal controls over financial reporting (including the safeguarding of assets) found no material weaknesses or significant deficiencies.<sup>1</sup>

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<sup>1</sup> 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 Library's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. 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.

*Compliance with Laws and Regulations*

Kearney found no instances of noncompliance with laws and regulations tested.

**Office of the Inspector General Oversight of Kearney**

In connection with the audit contract, the Office of the Inspector General reviewed Kearney's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the Library's financial statements, conclusions about the effectiveness of internal controls, and compliance with laws and regulations. Kearney is responsible for the attached auditor's report dated February 9, 2011 and the conclusions expressed in the report.<sup>2</sup> However, our review disclosed no instances where Kearney did not comply in all material respects with generally accepted government auditing standards.

cc: Chief of Staff  
Chief Financial Officer

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<sup>2</sup> In accordance with generally accepted auditing standards, Kearney's report is dated as of the last day of their audit fieldwork. Kearney's final report was delivered to the Office of the Inspector General on March 18, 2011.

## INDEPENDENT AUDITOR'S REPORT

Office of the Inspector General  
Library of Congress

We have audited the accompanying consolidated balance sheets of the Library of Congress (the Library) as of September 30, 2010 and 2009, and the related consolidated statements of net cost, statements of changes in net position, and combined statements of budgetary resources for the years then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

### SUMMARY

As stated in our opinion on the financial statements, we concluded that the Library's financial statements for the years ended September 30, 2010 and 2009, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP).

Our consideration of internal control over financial reporting (including the safeguarding of assets) disclosed no significant deficiencies or material weaknesses.

The results of our tests of compliance with certain provisions of laws and regulations disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* issued by the Comptroller General of the United States.

The following sections discuss our opinion on the Library's financial statements, our consideration of the Library's internal control over financial reporting, our tests of the Library's compliance with certain provisions of applicable laws and regulations, and Library management's and our responsibilities.

### OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying consolidated balance sheets of the Library as of September 30, 2010 and 2009, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Library as of September 30, 2010 and 2009, and its net cost of operations, changes in net position, and budgetary resources, including accompanying notes, for the years then ended, in conformity with GAAP.

The Library's Management's Discussion and Analysis, other Required Supplementary Information, and other accompanying information contain a wide range of information, some of which is not directly related to the financial statements. The information contained in the Management's Discussion and Analysis and Stewardship Report is not a required part of the Library's financial statements, but is considered supplementary information required by OMB Circular No. A-136, *Financial Reporting Requirements*. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with the Library. On the basis of this limited work, we found no material inconsistencies with the financial statements, GAAP, or OMB Bulletin No. 07-04, as amended.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Library's internal control over financial reporting and compliance by obtaining an understanding of the design effectiveness of the Library's internal control, determining whether these controls had been placed in operation, assessing control risk, and performing tests of the Library'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 Library's internal control over financial reporting and compliance.

We limited our control testing to those controls necessary to achieve the following OMB Bulletin No. 07-04 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 GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition
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 financial statements. We did not test all internal controls relevant to the operating objectives as broadly defined by the Federal Financial Management Improvement Act, such as those controls relevant to ensuring efficient operations.

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 Library's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. We did not note any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies, as defined above.

During the audit, we noted certain other matters that we will report to the Library's management in a separate letter, dated February 9, 2011.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Library's financial statements are free of material misstatement, we performed tests of the Library'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. We limited our tests of compliance to these provisions; we did not test compliance with all laws and regulations applicable to the Library. Providing an opinion on compliance with certain provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our testing disclosed no instances of noncompliance as described in the preceding paragraph, and disclosed no instances of noncompliance that would be reportable under standards applicable to financial audits contained in *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended.

\* \* \* \* \*

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

*Kearney & Company*

February 9, 2011  
Alexandria, Virginia