



THE LIBRARIAN OF CONGRESS

Mr. President and Madam Speaker:

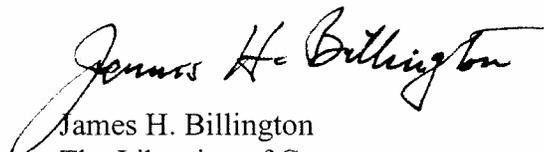
It is my pleasure to submit to you the Library's fiscal year 2009 financial statements and accompanying opinion of the independent auditors, Kearney and Company, P.C. For the fourteenth consecutive year, the independent auditors have issued an unqualified "clean" opinion of the Library's consolidated financial statements.

The net cost of the Library's six major programs totals \$736.4 million; including \$92.1 million in costs incurred by three other agencies (i.e., Architect of the Capitol, Government Printing Office and the Office of Personnel Management) in support of the Library's programs. The net cost also includes \$118.0 million in earned revenue from copyright registration fees, cataloging distribution sales, and other fee-based and reimbursable programs.

The Library continues to improve its financial and management systems while placing great emphasis on ensuring the security of our staff and collections. We recognize the need to continue to improve controls over property and equipment accountability and classification, along with improved computer and collections controls.

We appreciate the continuing great support and counsel that you bring to the Library of Congress and look forward to working with and for you in the future.

Sincerely,


James H. Billington
The Librarian of Congress

THE LIBRARY OF CONGRESS
Financial Statements for Fiscal Year 2009

TABLE OF CONTENTS

	PAGE
MANAGEMENT'S DISCUSSION AND ANALYSIS	
<i>Introduction</i>	1
<i>The Library of Congress and Its Mission</i>	1
<i>Strategic Plan</i>	1
<i>Brief History</i>	1
<i>The Library of Congress Today</i>	3
<i>Overview of Financial Statements</i>	4
<i>Key Performance Targets</i>	10
<i>Major Goals and Accomplishments</i>	12
<i>Management Control Program, Systems, Controls and Legal Compliance</i>	22
<i>Limitations of the Financial Statements</i>	22
FINANCIAL STATEMENTS AND NOTES	
<i>Consolidated Balance Sheets</i>	23
<i>Consolidated Statements of Net Costs</i>	24
<i>Consolidated Statements of Changes in Net Position</i>	25
<i>Combined Statements of Budgetary Resources</i>	26
<i>Notes to the Consolidated Financial Statements</i>	27
MANAGEMENT REPORT	
<i>Assessment of Condition of Heritage Assets</i>	56
REPORT OF INDEPENDENT AUDITORS	
<i>Results of the Library of Congress FY 2009 Financial Statements Audit</i>	57
<i>Independent Auditor's Report</i>	59

THE LIBRARY OF CONGRESS

Management's Discussion and Analysis

Fiscal Year Ended September 30, 2009

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 2009.

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

With the leadership and avid engagement of the Librarian of Congress, the Library developed its current Strategic Plan through a coordinated and collaborative, institution-wide effort, including Library executives, senior managers, and key subject matter experts. This effort narrowed the focus of the institution's goals from 18 organization-based goals in the previous Strategic Plan, to five discrete institution-wide strategic goals: *Content, Customers, Outreach, Organization and Workforce*. Through its strategic plan, the Library of Congress charted a course for achieving measurable results and codified 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.

Brief History

At the dawn of the 19th 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 20th 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."

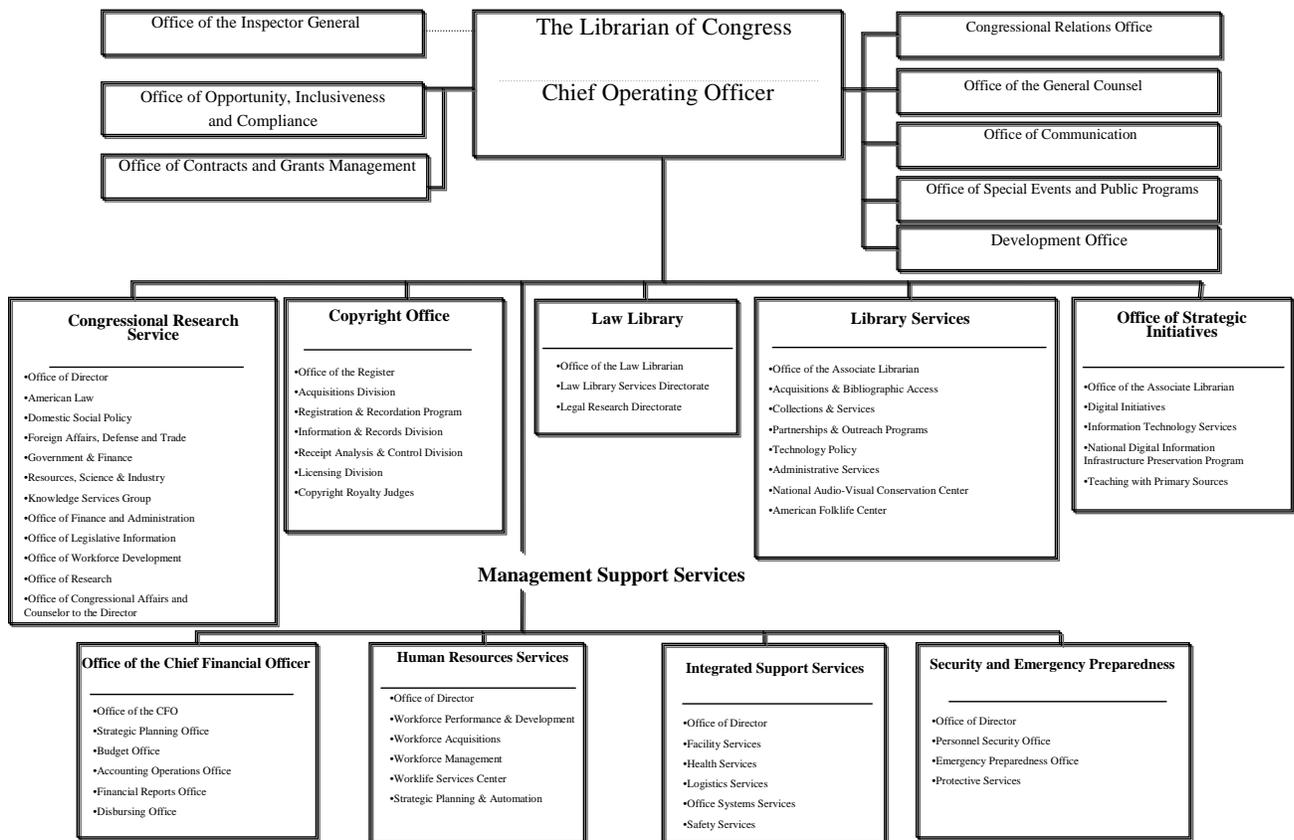
Those words hearken back to the Library's early days and Thomas Jefferson's vision of a society wherein the widest variety of information was readily available to the greatest possible number of people. "I feel ... an ardent desire," Jefferson said, "to see knowledge so disseminated through the mass 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 Operating Officer 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 (NLS/BPH), which is within Partnerships and Outreach Programs; NLS/BPH program costs are reported individually and other Library Services 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 2009 and 2008, 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, 2009 and 2008. 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 2009	FY 2008
Entity Assets	\$ 569.7	\$ 544.7
Non-Entity Assets		1,193.8
Total Assets	\$ 569.7	\$ 1,738.5

(in millions)		
Liabilities and Net Position	FY 2009	FY 2008
Liabilities Covered by Budgetary Resources	\$ 120.8	\$ 1,304.6
Liabilities Not Covered by Budgetary Resources	\$ 34.0	32.7
Total Liabilities	\$ 154.8	\$ 1,337.3
Net Position	414.9	401.2
Total Liabilities and Net Position	\$ 569.7	\$ 1,738.5

The Library's assets total \$569.7 million for fiscal year 2009 and just over \$1.7 billion for fiscal year 2008. In accordance with generally accepted accounting principles effective in fiscal year 2009, the Library's Balance Sheet, as well as notes related to specific items on the Balance Sheet, will no longer include Non-Entity Assets. Entity assets increased by \$25.0 million during fiscal year 2009. Significant increases include \$4.1M of Fund Balance with Treasury and \$4.5M of accounts receivable corresponding to the increase in funds advanced and pending advance, respectively, from other governmental agencies for the FEDLINK and other intra-governmental revolving fund programs

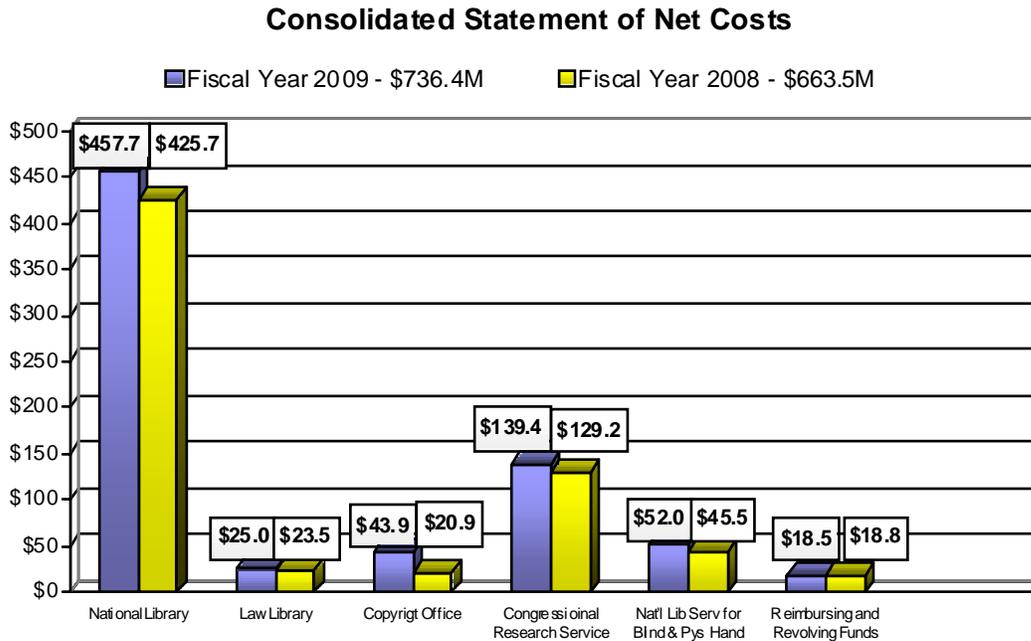
The Library's liabilities total \$569.7 million and \$1,337.3 million for fiscal years 2009 and 2008, respectively, with the aforementioned new accounting principle change as the major reason for the decrease. Significant liabilities include the aforementioned funds advanced from other governmental agencies for the FEDLINK and other intra-governmental revolving fund program 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, 2009 and 2008. In other words, the statements present the net costs of our programs \$736.7 million and \$663.5 million for the fiscal years 2009 and 2008, 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 \$457.7 million and \$425.7 million for fiscal years 2009 and 2008, 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 information requests from across the nation, including requests in person in the reading rooms open to the public in Washington. In addition, the Library responds to free interlibrary loan requests from across the nation and 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), 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 ninth National Book Festival was held on September 26, 2009, on the National Mall and had more than 130,000 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 digital preservation architecture with defined roles and responsibilities.

Law Library – The Law Library of Congress, with net program costs of \$25.0 and \$23.5 million for fiscal years 2009 and 2008, 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 other federal agencies with bibliographic and informational services, background papers, comparative legal studies, legal interpretations, 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 foreign diplomatic corps, international organizations, and the general public.

Copyright Office (including the Copyright Royalty Board) – The Copyright Office (COP), with net program costs of \$43.9 million and \$20.9 million for fiscal years 2009 and 2008, 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 2008, COP implemented its reengineered operations included capital costs for new information technology operation and redesigned facilities, which lowered their net costs as these types of costs are spread over several years. In fiscal year 2009, no equivalent costs were incurred thus returning COP back to historical net cost levels. In fiscal year 2009, the COP registered 382,086 claims to copyright; transferred 739,364 works to the Library; recorded 10,207 documents containing more than 300,000 titles, logged 23,737,782 page views on its web site, and responded to 359,882 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 \$139.4 and \$129.2 million for fiscal years 2009 and 2008, 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 millions of 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 2009 and 2008 net program costs for this segment were \$52.0 and \$45.5 million, respectively.
2. A cooperating network of regional and sub regional (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 audio and Braille readers registered individually, in addition to 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 four legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the Office of Compliance, the Abraham Lincoln Bicentennial Commission, and the Open World Leadership Center).

After reflecting earned revenues of \$83.4 and \$78.8 million in fiscal years 2009 and 2008, respectively, reimbursable and revolving fund net program costs totaled \$18.5 and \$18.8 million, respectively. The net program costs were the result of the elimination of \$7.4 and \$7.6 million of intra-Library net revenues, \$10.1 and \$9.1 million in allocated administrative overhead, \$2.0 and \$1.8 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 2009 and 2008, 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 2009 and \$3.1 million for fiscal year 2008.

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 2009 and 2008 were \$0.1 million and \$0.3 million, respectively, of which \$0.1 million in fiscal year 2008 was for intra-Library transactions, which were eliminated for both years in the consolidated statements.

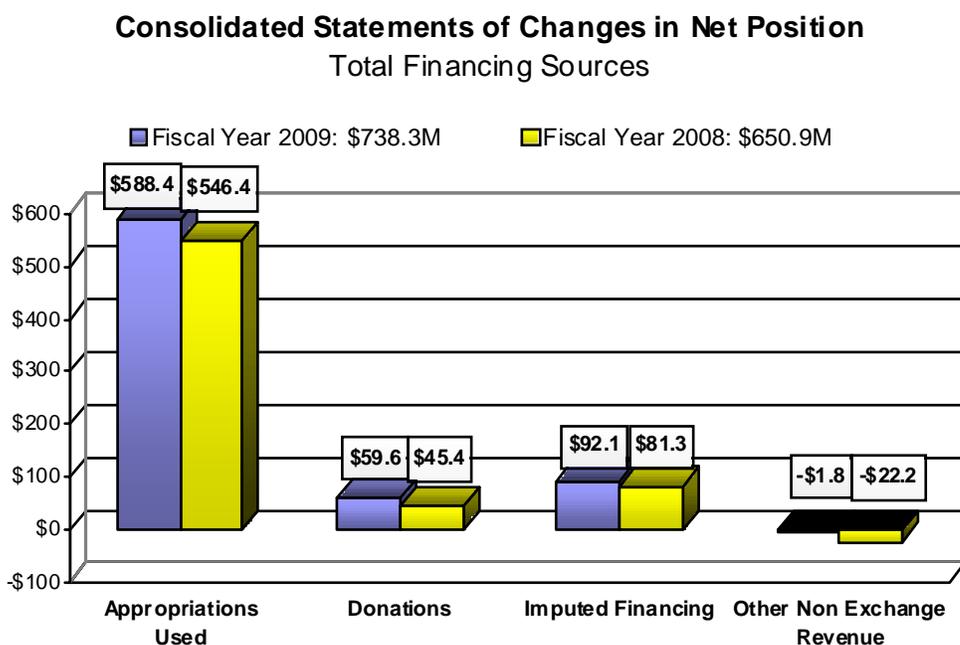
Gift Shop, Decimal Classification, Document Reproduction and Microfilm Services, Special Events and Programs and related services – This revolving fund provides for the operation of a gift shop or other sales of items associated with collections, exhibits, performances, and special events of the Library 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 \$5.8 million and \$6.9 million in

fiscal years 2009 and 2008, respectively, and intra-Library transactions of \$1.2 million and \$2.4 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 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. The Federal Research Program 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 2009 and 2008, earned revenues were \$78.0 and \$71.4 million, respectively, and intra-Library transactions of \$0.8 million and \$1.3 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 \$738.3 million and \$658.4 million for the fiscal years ended September 30, 2009 and 2008, respectively.



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, 2009 and 2008 totaled \$588.4 and \$546.4 million or 78 and 84 percent for fiscal years 2009 and 2008, 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) used Congressional appropriations and other financing sources to provide support for the Library's programs totaling an estimated \$92.1 and \$81.3 million (imputed financing) for fiscal years 2009 and 2008, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$58.1million and \$51.6 million), employee benefits (\$30.9 million and \$28.6 million), acquisitions exchange services (\$2.3 million and \$1.1 million) and legal claims (\$0.8 million for fiscal year 2009). Other non-exchange revenues are negative for fiscal years 2009 and 2008

primarily due to the unrealized loss or gains on non-treasury investments, as the loss for fiscal year 2009 was not as big as the loss for fiscal year 2008.

The Library's net position increased by \$13.6 million during fiscal year 2009, primarily due to the increase in unexpended appropriations, as more were received than used in fiscal year 2009.

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 \$2.3 billion and \$2.2 billion for the fiscal years ended September 30, 2009 and 2008, respectively, of which \$0.6 billion were from appropriated funds for both years and \$1.7 billion and \$1.6 billion were from non-appropriated funds for fiscal years ended September 30, 2009 and 2008, respectively. Total outlays of \$869.9 and \$744.9 million were incurred with the outlays of appropriated funds (\$583.4 million and \$542.1million) combined with outlays of the non-appropriated funds (\$286.4 million and \$202.8 million) in fiscal years 2009 and 2008. The increase in outlays is largely a result of an increase of Copyright licensing distributions during fiscal year 2009.

Key Performance Targets

Beginning with the fiscal year 2009 Budget Justification, the Library adopted a more performance-focused approach toward describing the results we plan to achieve. To ensure the proper focus, Library organizations connect their annual strategies and performance targets to the goals of *The Library of Congress Strategic Plan Fiscal Years 2008 – 2013*. Following that pattern, the key performance targets listed below are summarized by their connection to the three mission-focused strategic plan goals. The targets presented are by no means an exhaustive list of everything being tracked and measured by Library organizations.

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

Performance Targets	Accomplishments
Increase the number of pre-1978 copy-right records available on-line by 5-10 million per year.	Funding was not received until February 2009. Material analysis identified the effort was more complex than originally estimated. Preparation and testing identified best methods for beginning large scale digitization planned for fiscal year 2010.
Ensure 60 percent of Congressional Research Service (CRS) research teams include at least four research divisions.	In fiscal year 2009, 62 percent of research issues drew on expertise from at least four of the six CRS research divisions.
Ensure the Global Legal Information Network (GLIN) stays current with U.S. laws.	During fiscal year 2009, 1,027 summaries of U.S. laws, court decisions, and legislative records were entered into GLIN.
Use strategic collecting policies to enhance current and new collections areas in response to changes in American and international life	Collections and Services staff analyzed 36 collections to ascertain present and future needs of researchers. Staff identified and recommended effective acquisition strategies for developing Library collections. As a result, research collections were substantially augmented in all formats.
Increase the volume of digitized content available to the public	The cumulative volume of information available as of September 30, 2009 was 105.68 terabytes, an increase of 40

terabytes compared to the close of fiscal year 2008, and exceeding the fiscal year 2009 target of 93.6 terabytes.

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

Performance Targets	Accomplishments
Improve processing times for copyright registrations and recordations.	Overall processing time approximately doubled across the year for registrations, recordation time rose slightly. The number of actions on hand, however, stabilized at the end of the year; Copyright remains cautiously optimistic this represents a change in the trend of processing time.
Ensure at least 85 percent of actively maintained research products are closely associated with the research agenda.	By the end of fiscal year 2009, CRS had exceeded the target, with 86% of active products linked to the agenda helping to ensure that CRS research is directly relevant to the policy issues on the congressional agenda.
Create special collections of digital legal material in response to world events.	The collection of 126 Legal Blogs for 2007 and 2008 were posted on LAW's website and organized by subject for researchers' use. The Abraham Lincoln digital collection of rare materials was created and posted on the website. The Sonia Sotomayor Supreme Court nomination collection was also posted on the website.
Improve and increase access to the Library's collections and services.	Almost 133 thousand digital items were made available to users in eleven new collections or production initiatives. More than 3.5 million digital items were made available to users as updates or additions to existing collections or production initiatives. The number of digital items added in fiscal year 2009 was the largest number of files added in any one year as LS continued its shift to large-scale digitization initiatives such as the National Digital Newspaper Program. The Digitizing American Imprints project digitized 5.6 million pages from more than 33 thousand General Collections monographs. Those pages were made available via 'handles' (persistent URLs) pointing to their display at the Internet Archive in the Library's Online Public Access Catalog records.
Maintain a high availability level for the Library's computer networks, servers, and storage.	During fiscal year 2009, the Office of Strategic Initiatives, Information Technology Services Directorate achieved 99.03 percent availability in the three target areas (network, server, and storage availability).

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

Performance Targets	Accomplishments
Conduct regular meetings between Members and staffers with the Librarian and Chief Operating Officer (COO). Increase collaborative activities with university libraries in various types of cataloging and authority files.	During fiscal year 2009, the Librarian and/or COO met or spoke with Members of Congress on more than 240 occasions. Four universities joined the cataloging partners program, bringing to eleven the number of university presses that provide cataloging in advance of publication for their own publications under the Library's guidance. This program significantly strengthens the coverage of subjects such as political science, medicine and science, agriculture, and Asian studies.

Performance Targets	Accomplishments
Sustain cost avoidances and savings for other federal libraries through FEDLINK.	<p>Seven new members joined the Virtual International Authority File (VIAF) project, increasing personal names in the VIAF to 10.4 million. Researchers can now search for names appearing in catalogs of 12 important world libraries and the Library of Congress simultaneously using the scripts the researchers prefer.</p> <p>The Program for Cooperative Cataloging added three new libraries, including the University of Michigan Law Library, for subject cataloging and 29 libraries for name authorities. The new members increase the pool of high-quality cataloging data that can be adapted for the Library's collections at minimal cost.</p> <p>FEDLINK saved federal libraries \$16.1 million in cost avoidance and \$4.6 million in vendor volume discounts through its many contracts with book vendors and bibliographic utilities.</p>

Major Goals and Accomplishments

The following section presents significant annual performance targets and accomplishments for fiscal year 2009 as they relate to the goals of the Library of Congress Strategic Plan 2008-2013. The organizational performance targets and accomplishments that follow are listed under the applicable strategic plan goal. For each performance target, the responsible organization is named followed by the related accomplishment(s).

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 5 - 10 million, by September 30, 2009.

Accomplishment: Fiscal year 2009 funding was received in February 2009. Material analysis identified that the digitization effort was more complex than originally estimated. Preparation and testing identified best methods for beginning large scale digitization planned for fiscal year 2010.

Performance Target: Copyright Royalty Judges (CRJ) – Keep relevant regulations in 37 CFR Chapter 3 current and appropriate to the CRJ mandate.

Accomplishment: CRJ reviewed all 9 parts of the regulation. One part required an amendment.

Performance Target: Congressional Research Service (CRS) – For at least 60 percent of the issues on the research agenda for the 1st session of the 111th Congress, CRS will draw on subject and disciplinary expertise from a minimum of four of its six research divisions, to ensure support for Congress that is complete, comprehensive, and authoritative.

Accomplishment: In fiscal year 2009, 62 percent of issues on the CRS research agenda drew on expertise from at least four of the six CRS research divisions, exceeding the target of 60 percent. These interdisciplinary teams, in the context of broader efforts to foster collaboration among CRS experts, helped ensure that Congress received the full range of expertise needed to address complex policy issues.

Performance Target: Law Library (LAW) – Maintain a current and complete collection that is reflective of the jurisdictions of critical interest to the U.S. Congress by fully executing its acquisition plan for the fiscal year.

Accomplishment: LAW maintained a current and complete collection of the jurisdictions of critical importance to the U.S. Congress by executing 85 percent of the allocated budget to purchase needed legal materials. The final 15% will be expended during FY 2010.

Performance Target: LAW – Maintain a universal, multinational and multi formatted collection of legal material of both worldwide and historical significance.

Accomplishment: A major source of acquisition for LAW's collections is the work of the Acquisitions and Bibliographic Access (ABA) Directorate of Library Services. During fiscal year 2009, LAW maintained very close communication with ABA with particular regard to published materials that have not been provided by publishers and that need to be re-requested for the collections. As a direct result of the close coordination, 75 percent of the re-requested material was received, making the law collection much more complete.

Performance Target: LAW – Expand the amount of content in the Global Legal Information Network (GLIN), especially U.S. laws by ensuring that all laws from the current Congress and relevant executive orders are summarized and input into GLIN within 30 days of publication by the Government Printing Office.

Accomplishment: During the fiscal year, 1,027 summaries of U.S. laws, court decisions, and legislative records were entered into GLIN within the timelines specified.

Performance Target: Library Services (LS) – Acquire and make accessible American Folklife Center (AFC) and Veterans History Project (VHP) collections. Acquire the best collections for the Library and process new collections in a timely manner for public accessibility.

Accomplishments: AFC acquired many new and valuable collections containing over 40,000 items for the Library. Highlights include the National Council for the Traditional Arts Collection documenting the best of traditional folk arts performers spanning 70 years; the Jean Ritchie (traditional Appalachian musician)/George Pickow (traditional arts cinematographer) Collection; the historic Caffè Lena Folk Coffeehouse Performances Collection; the 2009 Inaugural Sermons and Orations Collection documenting America's reactions to the inauguration of the 44th president, Barack Obama; the Fay Vincent Baseball Oral History Collection; and the Tom Raymond Storytelling Photo Collection.

The StoryCorps collection of oral interviews in AFC increased to more than 20,000. The addition of the Griot collection of African-American narratives broadened the StoryCorps database and made it a fertile source of information on a much wider range of topics.

Over 30 AFC collections were cataloged at the collection level for AFC holdings, while many others received Encoded Archival Description/Finding Aid treatment. AFC staff continues to make select collections fully available online, including the Center for Applied Linguistics Collection and the John Gillespie Coptic Materials Collection.

VHP acquired over 6,000 collections from America's wartime veterans that included audio and video oral histories as well as thousands of individual photographs, letters, and memoirs. VHP continues to make these collections accessible through its web site with approximately 10 percent of it's over 65,000 collections digitized for online use and viewing. VHP also strengthened its standards for interviewing procedures and continued to process collections within 4-6 months of receipt.

Performance Target: LS – Employ strategic collecting policies that enhance current collections; develop new collecting areas in response to changes in American and international life and culture.

Accomplishment: Collections and Services staff analyzed 36 collections for strengths and weaknesses to ascertain present and future needs of researchers. Staff identified and recommended the most effective acquisition strategies for developing Library collections. As a result, the research collections were substantially augmented in all formats.

Performance Target: LS – Enhance preservation and accessibility of **sheets** (by mitigation of risks to the Library's collections through continuous preservation programs [mass deacidification]).

Accomplishment: In fiscal year 2009, the Preservation Directorate mass deacidified 736,500 manuscript sheets with equipment installed in the Madison Building. This number represents a 26 percent decrease over the annual goal to treat a minimum of 1,000,000 sheets. The decrease was due to the four-month interruption from the renovation of the treatment lab, which was completed in September 2009. Items that were deacidified included congressional hearings and reports, legal publications and reference materials from the Law Library; comics from the Serial and Government Publications Division; and historical files of the NAACP from the Manuscript Division.

Performance Target: LS – Enhance preservation and accessibility of **books** (by mitigation of risks to the Library's collections through continuous preservation programs [mass deacidification]).

Accomplishment: In fiscal year 2009, the Preservation Directorate mass deacidified 325,800 books through contracted commercial deacidification. This number represents a 30 percent increase over the annual goal to treat a minimum of 250,000 books. Items that were deacidified included retrospective language and literature monographs and serials from the Asian Division, the African and Middle East Division, and the Collections Access, Loan and Management Division; and newly-acquired monographs and serials that were inspected and determined to be printed on acidic paper when the volumes were being processed.

Performance Target: LS – Enhance preservation and accessibility (by mitigating risks to the Library's collections through continuous preservation programs [rehousing]).

Accomplishment: In fiscal year 2009, the Preservation Directorate rehoused a total of 374,300 items. Items rehoused included bound volumes, unbound paper items, photographs, other formats (including three-dimensional artifacts such as globes), and audio visual material. Large scale projects included the creation of preservation rehousing to assist custodial divisions in preparing materials for transfer to Fort Meade. Unique projects included the creation of a special presentation box made for the Lincoln Inaugural Bible, used for President Obama's inauguration in January 2009. Preservation rehousing of these items will ensure increased longevity, ensuring access for future generations.

Performance Target: LS – Enhance preservation and accessibility (by mitigating risks to the Library's collections through continuous preservation programs [conservation treatment]).

Accomplishment: In fiscal year 2009, the Preservation Directorate performed conservation treatment on a total of 34,600 items. Items treated included bound volumes, unbound paper items, photographs, and other formats. Notable treatments included Founding Father materials, such as the Papers of James Madison, Thomas Jefferson's letters, and George Washington's Forms of Writing and Rules of Civility. Conservation treatment of these items will ensure increased longevity, ensuring access for future generations.

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 availability of the Library's primary access control and intrusion detection system to ensure a secure environment exceeded the established 99.95 availability standard.

Performance Target: Office of Strategic Initiatives (OSI) – Availability and Accessibility of Digital Content. Increase the volume of content digitized in each of the formats and the amount of content made available to the public.

Accomplishment: Total cumulative volume available to the public as of September 30, 2009: 105.68 terabytes (TB). This figure far exceeds the fiscal year 2009 performance target of 93.6 TB and represents an increase of over 40 terabytes in terms of data made available as of the close of fiscal year 2008.

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, 2009.

Accomplishment: Overall processing time approximately doubled across the year for registrations. Recordation time rose slightly. The number of actions on hand, however, stabilized at the end of the year. The office remains cautiously optimistic that this represents a change in the trend of processing time. The office continues to work on IT enhancements, staff training, implementation of performance requirements for all specialists, hiring of additional specialists, and a special project to close a large number of easily-cleared claims. Seventeen specialists were hired in fiscal year 2009; hiring actions for eleven more were in process at the end of the year.

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

Accomplishment: All rates and terms proceedings are current.

Performance Target: COP – Decrease processing time to 15 months (from the 2008 year-end processing time of 16.25 months) for standard SA-3 cable statements of account from receipt to public availability, by September 30, 2009.

Accomplishment: COP (Licensing) completed 92 percent within the target 15-month time frame as of September 30, 2009. As a result, organizations that make royalty payments are receiving quicker responses regarding any errors or additional payments required and those additional royalties are more quickly available for eventual distribution.

Performance Target: COP – Decrease processing time to 7 months (from the 2008 year-end processing time of 7.25 months) for standard SA-1-2 (short form) cable statements of account from receipt to public availability, by September 30, 2009.

Accomplishment: COP (Licensing) completed 98 percent within the 7-month timeframe. As a result, organizations that make royalty payments are receiving quicker responses regarding any errors or additional payments required and those additional royalties are more quickly available for eventual distribution.

Performance Target: CRS -- To ensure access to all CRS research relevant to the policy work of the Congress and to provide full benefit of interdisciplinary expertise, at least 85 percent of actively maintained products will be associated with policy issues on the CRS research agenda, assessed quarterly.

Accomplishment: In fiscal year 2009, CRS continued implementing a successful management initiative to ensure that most active research products were associated with policy issues on the CRS research agenda. By the end of fiscal year 2009, CRS had exceeded the target, with 86 percent of active products linked to the agenda. Going forward, CRS will refine this target to focus only on policy research products, rather than all products. This ongoing work helps ensure that CRS research is directly relevant to the policy issues on the congressional agenda.

Performance Target: Integrated Support Services (ISS) -- Achieve five percent improvement over baseline rate for the provision of ISS facility planning and construction, and ISS operational services.

Accomplishment: This "bundled" target was created to enable reporting via a single index figure on the achievement of multiple performance metrics throughout ISS. This approach was determined to have little relevance compared to the significance of the individual line items being measured, all of which continue to be tracked at the Directorate and Division level. The two targets now reported reflect priority initiatives within ISS as of October 1, 2008.

Performance Target: LAW – Based on world events, create special collections of digital legal materials on those topics. These special collections begin to be accessible within one week of the topic being identified. To maintain currency, review each special collection at least every two weeks to meet or exceed minimum standards for visits to online special collections.

Accomplishments: The collection of 126 Legal Blogs for 2007 and 2008 were posted on LAW's website and organized by subject for use by researchers. The Abraham Lincoln digital collection of rare materials was created and posted on the website. The Sonia Sotomayor Supreme Court nomination collection was also posted on the website.

Performance Target: LAW – Complete the classification of 800,000 volumes to Class K thus assuring that the entire Law Library collection is classed by country, by subject, and by form of material.

Accomplishment: Completed the classification of 32,210 volumes into the K classification system. This exceeded the classification projection for fiscal year 2009 by 29 percent.

Performance Target: LAW – Increase GLIN system usage by ten percent in fiscal year 2009 as measured by site visits.

Accomplishment: GLIN system visits increased by eight percent in fiscal year 2009.

Performance Target: LS – Provide appropriate cataloging for items selected for the Library of Congress collections.

Accomplishment: In fiscal year 2009, the Acquisitions and Bibliographic Access (ABA) directorate cataloged approximately 317 thousand items. The processing units in the Collections and Services Directorate cataloged thousands of additional items. The American Folklife Center and began to integrate its Traditional Music and Spoken Word Catalog into the Library's general online catalog, making resources in traditional music and printed texts about music or music criticism retrievable in the same search.

Performance Target: LS – Provide public training, programming, publications, and online presentations to Congress, researchers, scholars, educators, media representatives, policy makers, and the general public.

Accomplishment: Partnerships and Outreach Programs (POP) divisions coordinated most of the tasks reflected in this target. In addition, Collections and Services provided 526 programs representing 116 subject areas for specific audiences. AFC presented educational and cultural programs to over 50 audiences including Congressional members and staffs, tourists, and the local community. The Folklife Center News, a quarterly news magazine, continued to feature the activities of the Folklife Center and reaches an audience of 10 thousand subscribers nationally and internationally.

Performance Target: LS – Ensure products and services meet customer needs. Increase percentage of revenue from web-based products.

Accomplishment: The Cataloging and Distribution Service (CDS) increased the percentage of total revenue from web-based products by five percent in fiscal year 2009. Library of Congress web-based products available to the national and international library community on a cost-recovery basis from CDS include Cataloger's Desktop, Classification Web, and the MARC Distribution Services.

Performance Target: LS -- Improve and increase access to LC collections and services [Collections and Services].

Accomplishment: Almost 133 thousand digital items were made available to users in eleven new collections or production initiatives. Music Division led with five new collections that included about 49 thousand digital items. One new collection, American English Dialect Recordings: The Center for Applied Linguistics Collection, was added to American Memory this year. More than 3.5 million digital items were made available to users as updates or additions to existing collections or production initiatives, including about three million new pages on the National Digital Newspaper Program 'Chronicling America' web site. The Veterans History Project added 168 thousand digital items, the Rare Books & Special Collections Division added 122 thousand, and Prints & Photographs Division added 76 thousand. Various LS divisions provided more than 3.5 million new digital items to users. During fiscal year 2009, the total number of digital items available publicly and for free to users for Library Services-sponsored collections and production initiatives grew to 18.9 million digital objects. The number of digital items added in fiscal year 2009 was the largest number of files added in any one year (a million more than the 2.5 million digital objects added in fiscal year 2007, the second largest year) as LS continued its shift to large-scale digitization initiatives such as the National Digital Newspaper Program. In addition, the Digitizing American Imprints project, sponsored by the Alfred P. Sloan Foundation, digitized 5.6 million pages from more than 33 thousand General Collections monographs. Those pages were made available via 'handles' (persistent URLs) that point to display of the items at the Internet Archive in the Library's Online Public Access Catalog (OPAC) records.

Performance Target: LS – Improve and increase access to LC collections and services [video collections].

Accomplishment: In fiscal year 2009, the Packard Campus for Audio-Visual Conservation completed installation of the base technology allowing the Motion Picture, Broadcast, and Recorded Sound (MBRS) Division to dramatically improve access to the Library's video collections via an unprecedented audiovisual playback-on-demand model. This new system will allow MBRS to digitally encode items from the collection in dedicated production rooms at the Packard Campus for Audio-Visual Conservation and distribute them via servers and a fiber optic connection to the division's moving image reference center in the Madison Building on the Capitol Hill campus. Researchers there are able to control their own listening and viewing playback on new patron workstations in the reading room. The Packard Campus for Audio-Visual Conservation is currently in the process of hiring the necessary video preservation and digitization staff that will allow us to meet the same 7-day workflow target for these collections that we now have for the recorded sound collections. During the year, Packard Campus for Audio-Visual Conservation technology staff also began developing new automated systems for the generation of video streaming proxies (access copies).

Performance Target: LS – Improve and increase access to LC collections and services [recorded sound collections].

Accomplishment: In fiscal year 2009, the Packard Campus for Audio-Visual Conservation completed installation of the base technology allowing the MBRS Division to dramatically improve access to the Library's recorded sound collections via an unprecedented playback-on-demand model. This new system will allow MBRS to digitally encode items from the collection in dedicated production rooms at the Packard Campus for Audio-Visual Conservation and distribute them via servers and a fiber optic connection to the division's recorded sound reference center in the Madison Building on the Capitol Hill campus. Researchers there are able to control their own listening playback on new patron workstations in the reading room on the Capitol Hill campus. Access copies of the recorded sound material are digitized and made available within 7 days or less of the original patron request.

Performance Target: LS – Expand access to the Library's collections through planned projects and initiatives.

Accomplishments: The number of OPAC and Z39.50 sessions increased by almost 1.4 million. LS staff implemented Automated Call Slip enabling public patrons to submit online requests for materials. Staff in

the Technology Policy Directorate added a 'quick search' box to OPAC enabling simple, Google-like OPAC searches. Technology Policy staff also improved the OPAC user interface based on analysis of user search logs, *e.g.*, improved 'no hits' response (with suggestions for alternatives and links to Help pages and other resources).

Performance Target: LS – Provide leadership in national and international library and archives communities on the formulation and dissemination of standards and best practices.

Accomplishments: ABA and the Technology Policy Directorate collaborated in FY09 to launch ID.LOC.GOV, a Web portal that enables software developers throughout the world to interact programmatically with LC-issued controlled vocabularies such as the Library of Congress Subject Headings and the Thesaurus for Graphic Materials. Use of ID.LOC.GOV permits large Websites to be queried using familiar semantic search strategies.

ABA led in completing the content of Resource Description and Access (RDA), a proposed new descriptive cataloging code that can apply to both digital and tangible formats and most media. ABA began working with the National Library of Medicine and National Agricultural Library to design a full-scale operational and feasibility test of RDA to begin in January 2010.

The Technology Policy Directorate began a maintenance role for an XML schema standard that assists with the translation of scanned text into character text for better searching. Tech Policy continued as the international maintenance agency for two search protocol standards; seven data communication formats; three technical metadata standards; and a data element set for preservation of digital library resources. Technology Policy also represented the Library in the: World Wide Web Consortium, Simple Knowledge Organization System, National Information Standards Organization, International Organization for Standardization, International Federation of Library Associations-Conference of Directors of National Libraries Alliance for Digital Strategies, and the Organization for the Advancement of Structured Information.

These innovations improved the ease of searching for users of the Internet; reduced the cost of library data exchange; and promoted the creation of high-quality library data for present and future library users.

Performance Target: National Library Service for the Blind and Physically Handicapped (NLS) – Contract and manufacture Digital Talking Book players.

Accomplishment: In fiscal year 2008, NLS contracted to manufacture approximately 220,000 Digital Talking Book players to be delivered beginning in fiscal year 2009. In fiscal year 2009, NLS contracted for the production of an additional 131,000 players. The manufacture and delivery of players target was achieved.

Performance Target: NLS – Produce Digital Talking Books.

Accomplishment: In fiscal year 2009, NLS contracted to produce over 575 copies each of 2,000 new book titles in digital format.

Performance Target: NLS – Continue the production of talking books on cassette media.

Accomplishment: Contracts with producers were signed for the continued production of approximately 2,000 talking book titles on cassette media. The new titles will be offered in both analog and digital formats until 2011.

Performance Target: NLS – Produce digital retrospective titles of books on flash cartridges.

Accomplishment: Digital retrospective titles include analog to digital titles and born digital titles not previously available in digital flash cartridge format. In fiscal year 2009, approximately 14,000 digital retrospective titles were produced.

Performance Target: OSI – Maintain the average Page Views per Visit at, or above, five.

Accomplishment: Overall, traffic to the Library's website showed a slight increase in fiscal year 2009. In addition to the primary website, LOC.GOV, American Memory, Thomas, and the Online Catalog, continued to have strong demand among customers. The World Digital Library had a strong debut in the 3rd quarter of fiscal year 2009. The Library was able to meet its goal for content use per visit to the site. The average views per visit were 7.7 for fiscal year 2009, well above the target goal of 6 page views per visit.

Performance Target: OSI -- Maintain network, server, and storage availability (excluding scheduled maintenance) at or above 99.5 percent

Accomplishment: During fiscal year 2009, OSI's Information Technology Services (ITS) achieved 99.03 percent availability in the three target areas (network, server, and storage availability). During the year, ITS focused on refreshing technology in order to support the ever increasing requirements of our hosting environment. Strengthening infrastructure while consolidating resources allowed ITS to offer greater resource utilization.

Performance Target: OSI – Content Stewardship of National Digital Information and Infrastructure Preservation Program (NDIIPP) Partner Institutions: increase the volume of content for various types of digital formats and the amount of content made available to Congress.

Accomplishment: NDIIPP leveraged the growth of public and private stewardship networks to collect, preserve, and make available significant digital content. By the close of fiscal year 2009, 265 terabytes of digital content were collected and preserved by the Library and its partners. By the close of FY2009, 265 terabytes of digital content were collected and preserved by the Library and its partners. Of this amount, 119 terabytes were made accessible.

Performance Target: OSI – Growth of Teaching with Primary Sources (TPS) Programs: increase the number of Congressional Districts served from 45 in fiscal year 2008 to 80 in fiscal year 2009.

Accomplishment: Through TPS, OSI continued to lead and expand the educational outreach network to increase educational use of the Library's unparalleled online primary sources.

In fiscal year 2009, Library staff delivered professional development to teachers from 57 Congressional Districts. TPS Educational Consortium members and regional program coordinators, who serve educational communities in 31 states, reached teachers in 98 Congressional Districts. Library staff conducted 51 institutes, workshops, and presentations for 1,539 teachers held at the Library and 50 professional development events for 2,623 teachers in outside venues. TPS partners conducted 468 professional development events for 8,416 teachers focused on using the Library's digitized primary sources to create instruction that builds student literacy, content knowledge, and critical thinking skills.

Performance Target: OSI -- Teaching with Primary Sources Outreach. Increase the number of workshops and presentations held (to 400) and teachers served (to 4500) in fiscal year 2009.

Accomplishment: Library staff conducted 101 institutes, workshops, and presentations for 4,162 teachers held at the Library and in outside venues. TPS partners conducted 468 professional development events for 8,416 teachers focused on using the Library's digitized primary sources to create instruction that builds students literacy, content knowledge, and critical thinking skills.

Strategic Plan Goal: Outreach— increase awareness of the value and utility of the Library.

Performance Target: Office of the Librarian (LIBN/O) -- Facilitate at least two monthly meetings between Members of Congress and the Librarian and/or the Chief Operating Officer (COO) when Congress is in session.

Accomplishment: During fiscal year 2009, the Librarian and/or COO met or spoke with Members of Congress on more than 240 occasions.

Performance Target: LIBN/O – Provide news releases at least three weeks in advance of events.

Accomplishment: The Public Affairs Office surveyed several weeks' worth of press releases and determined a success rate of 75 percent in meeting the three-week deadline resulting in extended publicity and increased event attendance.

Performance Target: LS – Increase collaborative activity with university libraries, including projects in: Electronic Cataloging in Publication (ECIP), Dewey Decimal Classification, and authority files.

Accomplishment: Brigham Young University, Duke University, the University of Chicago, and the University of Hawaii joined the ECIP Cataloging Partners program, bringing to eleven the number of university presses that provide cataloging in advance of publication for their own publications under the Library's guidance. The ECIP cataloging partners significantly strengthen the program's coverage of subjects such as political science, medicine and science, agriculture, and Asian studies.

ABA used "auto-Dewey" software to assign Dewey numbers automatically to American and foreign literary works.

Seven new members joined the Virtual International Authority file project, increasing the number of personal names in the VIAF to 10.4 million. Researchers can now search for names that appear in catalogs of the Bibliotheca Alexandrina, the national libraries of Czech Republic, Israel, Portugal, Spain, Sweden, and the Vatican, and the earlier members (Australia, France, Germany, the Getty Institute, Italy, and the Library of Congress) simultaneously using the scripts they prefer.

The Program for Cooperative Cataloging added three new libraries, including the University of Michigan Law Library, for subject cataloging and 29 libraries for name authorities. The new members increase the pool of high-quality cataloging data that can be adapted for the Library's collections at minimal cost.

Performance Target: LS – Sustain cost avoidance savings of \$15 million or more to federal libraries and information centers in their procurement of library-related information services and training.

Accomplishment: FEDLINK saved federal libraries \$16.1 million in cost avoidance and \$4.6 million in vendor volume discounts through its many contracts with book vendors and bibliographic utilities.

Performance Target: LS – Increase awareness of Library collections and services through a wide variety of activities that increase the reach of the Library and its collections.

Accomplishment: LS regularly scheduled and conducted researcher orientation sessions the public and Congressional staff, LS also provided tours through: the Visitor Services Office, individual area studies, special collections, and general collections reading rooms. LS also provided curatorial/collection based public programming.

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

Performance Target: Human Resources Services (HRS) – Increase the number of Library staff receiving education related to a broad variety of personal financial management, benefits management, and retirement opportunities to 1,810 by September 30, 2009.

Accomplishments: 1451 employees (new hires, mid-career, and those within five years of possible retirement) received educational information on retirement planning including financial, transitional, legal, healthy living, federal retirement benefits, and social security and medical issues by key experts from the federal sector and private organizations.

Performance Target: LS – Complete and begin implementation of the LS strategic plan.

Accomplishments: In fiscal year 2009, Library Services mapped all resources, including spending plans and current staff, to its strategic plan. In addition, targets were set for the use of these resources and tracked during the year.

Performance Target: LS – Reduce operating costs.

Accomplishments: LS reorganized the Office of Business Enterprises in fiscal year 2009, providing a foundation for the efficient and effective operation of LS's cost-recovery programs in future years.

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

Performance Target: HRS – Develop 287 of the Library's supervisors through the Supervisor Development Program by September 30, 2009 in support of the Library's Succession Plan

Accomplishments: The targeted number of supervisors was not met because funding was not received until February, 2009. Also budget constraints precluded service units from supporting the training event. As a result, 59 supervisors were provided five days of practical skills and tools to perform their duties successfully. The training included effective ways to communicate with staff, enhance employees' professional growth and development, use a performance management system, and understand the human side of change.

Performance Target: LS – Increase the number of classes taken by Library Services staff.

Accomplishments: A total of 672 LS staff members took nearly 2,000 classes taught within the service unit and an additional 3,377 classes taught by the Library's Center for Learning and Development. These classes ensured the staff can serve Library users by employing up-to-date skills in acquisitions, digital reference, cataloging, Web design, and other 21st-century library functions as well as understanding of agency information technology security, writing, and personal productivity skills.

Management Control Program, Systems, Controls and Legal Compliance

The Library has a management control program (MCP) that requires annual risk (vulnerability) assessments and periodic detailed reviews of internal controls based on the results of the vulnerability assessments. The MCP 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 2009, 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 and scheduling, Library staff performed 36 detailed control reviews in fiscal year 2009 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, 2009 and 2008

(in thousands)

	FY 2009	FY 2008
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 350,419	\$ 326,548
Investments (Note 4)	42,486	1,246,271
Accounts Receivable, Net (Note 5.A)	12,100	8,218
Other Intragovernmental Assets	225	723
Total Intragovernmental	405,230	1,581,760
Cash and Other Monetary Assets (Note 1.G)	104	278
Pledges Receivable – Donations (Note 5.B)	14,759	10,724
Investments (Note 4)	78,848	76,688
Inventory and Operating Materials (Note 1.K)	1,042	854
Property and Equipment, Net (Note 6)	69,138	67,556
Other Assets	529	675
Library Collections (Note 1.M)		
TOTAL ASSETS	\$ 569,650	\$ 1,738,535
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 5,966	\$ 4,445
Advances from Others	40,019	31,411
Accrued Unfunded Workers' Compensation (Note 9)	1,657	1,555
Other Intragovernmental Liabilities (Note 11)	61	10
Total Intragovernmental	47,703	37,421
Accounts Payable and Accrued Funded Payroll, Benefits	65,108	62,370
Custodial Liability (Note 3)	0	1,193,780
Deposit Account Liability	6,845	7,041
Accrued Unfunded Annual and Compensatory Leave	25,605	23,530
Actuarial Unfunded Workers' Compensation (Note 9)	6,743	7,611
Other Liabilities (Note 11)	2,795	5,526
TOTAL LIABILITIES	\$ 154,799	\$ 1,337,279
Commitments and Contingencies (Note 10)		
NET POSITION		
Unexpended Appropriations – All Other Funds	\$ 207,157	\$ 195,373
Cumulative Results of Operations – Earmarked Funds (Note 18)	173,519	177,318
Cumulative Results of Operations – All Other Funds	34,175	28,565
TOTAL NET POSITION	\$ 414,851	\$ 401,256
TOTAL LIABILITIES AND NET POSITION	\$ 569,650	\$ 1,738,535

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, 2009 and 2008

(in thousands)

	FY 2009	FY 2008
NET COSTS BY PROGRAM AREA		
National Library:		
Program Costs	\$ 461,909	\$ 429,916
Less: Earned Revenue	(4,191)	(4,227)
Net Program Costs	457,718	425,689
Law Library:		
Program Costs	24,986	23,453
Less: Earned Revenue	(20)	(3)
Net Program Costs	24,966	23,450
Copyright Office:		
Program Costs	73,886	53,681
Less: Earned Revenue	(30,033)	(32,829)
Net Program Costs	43,853	20,852
Congressional Research Service:		
Program Costs	139,411	129,199
Less: Earned Revenue	(3)	(3)
Net Program Costs	139,408	129,196
National Library Service for the Blind and Physically Handicapped:		
Program Costs	52,032	45,478
Less: Earned Revenue	(4)	(3)
Net Program Costs	52,028	45,475
Revolving and Reimbursable Funds:		
Program Costs	101,920	97,644
Less: Earned Revenue	(83,446)	(78,836)
Net Program Costs	18,474	18,808
NET COSTS OF OPERATIONS	\$ 736,447	\$ 663,470

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, 2009 and 2008

	FY 2009			FY 2008		
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total
<i>CUMULATIVE RESULTS OF OPERATIONS</i>						
Beginning Balances	\$177,318	\$28,565	\$205,883	\$191,713	\$26,709	\$218,422
Budgetary Financing Sources:						
Appropriations Used		588,400	588,400		546,447	546,447
Non-exchange Revenue	584		584	1,605	(1)	1,604
Donations of Cash or Securities	15,537		15,537	19,856		19,856
Transfers In/(Out) Without Reimbursement	212	(131)	81	(375)	(785)	(1,160)
Other	232		232	1,361		1,361
Other Financing Sources (Non-exchange):						
Donations of Property and Services	569	43,456	44,025	3,806	21,731	25,537
Transfers – in/out without Reimbursement				(4,283)	4,283	0
Imputed Financing	3,231	88,835	92,066	3,803	77,468	81,271
Other	(2,667)		(2,667)	(23,985)		(23,985)
Total Financing Sources	17,698	720,560	738,258	1,788	649,143	650,931
Net Cost of Operations	(21,497)	(714,950)	(736,447)	(16,183)	(647,287)	(663,470)
Net Change	(3,799)	5,610	1,811	(14,395)	1,856	(12,539)
CUMULATIVE RESULTS OF OPERATIONS	\$173,519	\$34,175	\$207,694	\$177,318	\$28,565	\$205,883
<i>UNEXPENDED APPROPRIATIONS</i>						
Beginning Balances	\$0	\$195,373	\$195,373	\$0	\$184,520	\$184,520
Budgetary Financing Sources:						
Appropriations Received		607,096	607,096		564,460	564,460
Appropriations Transferred In/(Out)		(1,851)	(1,851)		(748)	(748)
Other Adjustments		(5,061)	(5,061)		(6,412)	(6,412)
Appropriations Used		(588,400)	(588,400)		(546,447)	(546,447)
Total Budgetary Financing Sources	0	11,784	11,784	0	10,853	10,853
TOTAL UNEXPENDED APPROPRIATIONS	0	207,157	207,157	0	195,373	195,373
NET POSITION	\$173,519	\$241,332	\$414,851	\$177,318	\$223,938	\$401,256

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, 2009 and 2008

(in thousands)

	FY 2009	FY 2008
BUDGETARY RESOURCES		
Unobligated Balance, Brought Forward, October 1	\$ 1,273,622	\$ 1,238,164
Recoveries of Prior-year Unpaid Obligations	21,650	19,330
Budget Authority:		
Appropriation	893,416	860,370
Spending Authority from Offsetting Collections:		
Earned:		
Collected	132,523	129,391
Change in Receivables from Federal Sources	179	(814)
Change in Unfilled Customer Orders:		
Advances Received	2,939	2,472
Without Advances from Federal Sources	3,726	(1,340)
Total Budget Authority	1,032,783	990,079
Nonexpenditure Transfers, Net	(1,851)	(748)
Temporarily Not Available Pursuant to Public Law	0	0
Permanently Not Available	(5,090)	(7,047)
TOTAL BUDGETARY RESOURCES	\$ 2,321,114	\$ 2,239,778

STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 892,330	\$ 824,395
Reimbursable	137,784	141,761
Total Obligations Incurred	1,030,114	966,156
Unobligated Balance – Exempt from Apportionment	1,276,668	1,260,793
Unobligated Balance – Not Available	14,332	12,829
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 2,321,114	\$ 2,239,778

CHANGE IN OBLIGATED BALANCE		
Unpaid Obligated Balance, Net, Brought Forward, October 1:		
Unpaid Obligations, Brought Forward	\$ 281,300	\$ 240,415
Less: Uncollected Customer Payments, Brought Forward	(8,587)	(10,741)
Total Unpaid Obligation Balance, Net	272,713	229,674
Obligations Incurred, net	1,030,114	966,156
Less: Gross Outlays	(1,011,751)	(905,941)
Less: Recoveries of Prior-Year Unpaid Obligations	(21,650)	(19,330)
Change in Uncollected Customer Payments from Federal Sources	(3,905)	2,154
Unpaid Obligated Balance, Net, End of Period:		
Unpaid Obligations	278,013	281,300
Less: Uncollected Customer Payments from Federal Sources	(12,492)	(8,587)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 265,521	\$ 272,713

NET OUTLAYS		
Gross Outlays	\$ 1,011,751	\$ 905,941
Less: Offsetting Collections	(135,462)	(131,864)
Less: Distributed Offsetting Receipts	(6,404)	(29,153)
NET OUTLAYS	\$ 869,885	\$ 744,924

(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.

NOTE 1**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****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 2009 and 2008. 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; 23 (23) reimbursable funds; 105 (104) TFB funds; and 134 (134) gift funds for fiscal year 2009 (and 2008, 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 2009 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 2009 and 2008. 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 2009 and 2008. 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, the Ira and Leonore Gershwin Trust Fund and Related Charitable Trust 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 \$145.3 million and \$150.2 million during fiscal years 2009 and 2008, 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, deposit (and for fiscal year 2008, custodial funds, see Note 1.R) 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 2009 and 2008:
 - Vanguard Institutional Index Fund
 - Vanguard Capital Opportunity Fund
 - Fidelity Blue Chip Growth Fund
 - Fidelity Capitol 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, 2009 and 2008 the Library has 92 and 91 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 Management Assertion on the collections.

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.

Custodial and Deposit Liabilities are customer funds on deposit for Copyright, Document Reproduction and Microfilm Services, and Cataloging Distribution Service products and services. (For fiscal year 2008, this category also includes the custodial funds for Copyright royalties, see Note 1.R).

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 2009 or 2008.

O. Federal Employee Retirement Benefits

Approximately 25 percent and 28 percent of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2009 and 2008, respectively, to which the Library makes contributions equal to 7.0 percent of pay. Approximately 2 and 3 percent of employees under CSRS during fiscal years 2009 and 2008 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 72 percent and 69 percent of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2009 and 2008, respectively, to which the Library's normal contribution was 11.2 percent of pay during fiscal years 2009 and 2008. 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 2009 and 2008, 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 2009 and 2008, and was offset by an imputed financing source, which represents the amount being financed directly by OPM.

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).

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 (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 \$4.3M and \$4.6M at September 30, 2009 and 2008, respectively. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultants 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." The adoption of this standard had no effect on the Statement of Budgetary Resources and the budgetary activities and balances related to the Fiduciary activity will remain in the Statement of Budgetary Resources. (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.

NOTE 2	FUND BALANCE WITH TREASURY
---------------	-----------------------------------

A. Fund balance with Treasury at September 30, 2009 and 2008, is summarized as follows:

(in thousands)

	FY 2009	FY 2008
Appropriated Funds	\$ 250,257	\$ 234,078
Revolving and Reimbursable Funds	83,657	75,713
Gift and TFB Funds ¹	15,165	15,054
Custodial (See Note 1.R)	0	111
Deposit and Other Funds	1,340	1,592
TOTAL	\$ 350,419	\$ 326,548

¹ At September 30, 2009 and 2008, 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 4.06 and 4 percent, respectively.

B. Status of Fund Balance with Treasury

(in thousands)

	FY 2009	FY 2008
Unobligated Balances – Available	\$ 58,711	\$ 22,720
Unobligated Balances – Unavailable	24,357	29,271
Obligated Balances Not Yet Disbursed	266,011	272,854
Custodial (See Note 1.R)	0	111
Non-budgetary	1,340	1,592
TOTAL	\$ 350,419	\$ 326,548

NOTE 3	CUSTODIAL FUNDS
---------------	------------------------

Custodial activity consists of the following:

	(in thousands)	
	FY 2009	FY 2008
Beginning Custodial Liability	\$ 1,193,780	\$ 1,125,291
Implementation of SFFAS#31 (see note 1.R)	(1,193,780)	
Adjusted Beginning Custodial Liability	0	1,125,291
Cash Collections:		
Licensing Fees	\$	\$ 249,864
Investment Interest		26,177
Total Cash Collections		276,041
Investment Amortization / Accruals		(322)
Total Custodial Revenue	\$	\$ 275,719
Disposition of Collections:		
Payments to Copyright Owners	\$	\$ (204,664)
Refunds		(1,128)
Change in Investment Premium		1,795
Retained by Copyright Licensing for Administrative Costs		(3,233)
Total Custodial Expense	\$	\$ (207,230)
Net Custodial Activity	\$	\$ 68,489
ENDING CUSTODIAL LIABILITY	\$ 0	\$ 1,193,780

NOTE 4	INVESTMENTS, NET
---------------	-------------------------

Investments at September 30, 2009 and 2008 are as follows:

(in thousands)			
FY 2009	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
Investments, Net	\$ 42,486	\$ 97,044	\$ 139,530
Market Value	\$ 42,488	\$ 78,848	\$ 121,336

(in thousands)			
FY 2008	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 1,244,253	\$	\$ 1,244,253
Cost		91,307	91,307
Unamortized Premium	1,938		1,938
Unrealized Discount	(499)		(499)
Interest Receivable	579		579
Investments, Net	\$ 1,246,271	\$ 91,307	\$ 1,337,578
Market Value	\$ 1,245,790	\$ 76,688	\$ 1,322,479

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 2009 and 2008 range from October 1, 2009 to March 4, 2010 and October 2, 2008 to March 5, 2009, respectively, and interest rates for the same fiscal years range from .09 percent to .22 percent and .11 percent to .196 percent, respectively.

Custodial funds maturity dates for 2008 range from October 16, 2008 to August 31, 2009 and interest rates for fiscal year 2008 range from .10 percent to 4.625 percent. (See Note 1.R)

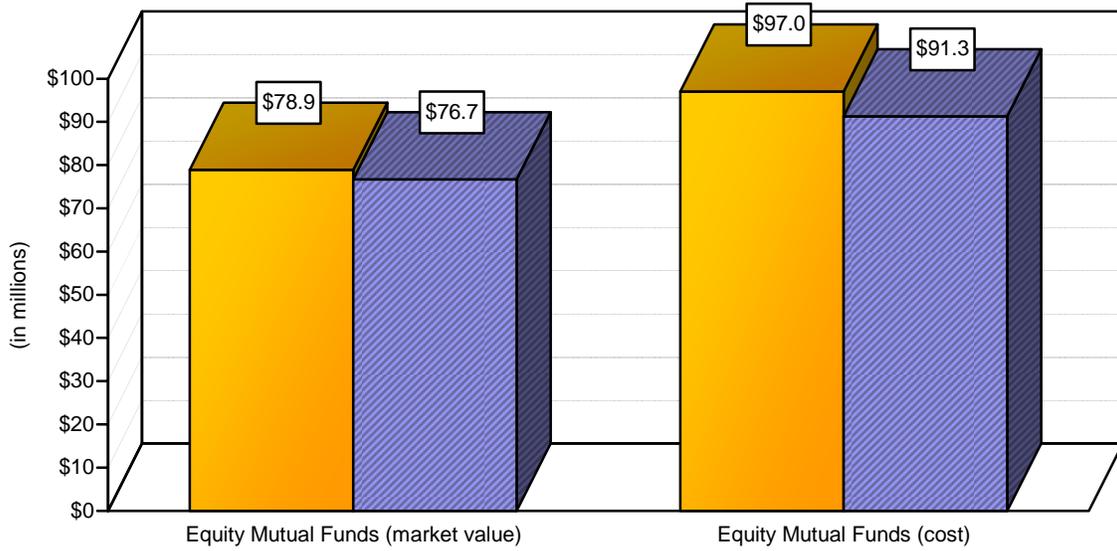
B. Other Investments

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, 2009 and 2008 are as follows:

Non-Treasury Investments

■ Fiscal Year 2009 ■ Fiscal Year 2008



NOTE 5	RECEIVABLES
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The breakdown of consolidated gross and net accounts receivable at September 30, 2009 and 2008 are as follows:

A. Accounts Receivable

(in thousands)		
	FY 2009	FY 2008
Intragovernmental Accounts Receivable, Gross and Net	\$ 12,100	\$ 8,218
With the Public:		
Accounts Receivable, Gross	534	689
Less: Allowance for Doubtful Accounts	(21)	(30)
Accounts Receivable, Net	\$ 513	\$ 659

B. Pledges Receivable

At September 30, 2009 and 2008, the Library had unconditional pledges of contributions totaling \$15.8 million and \$11.8 million, which were discounted through fiscal years 2033 and 2034 at a market discount rate and included in the statement of financial position at their discounted value of \$14.8 million and \$10.7 million, respectively.

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

(in thousands)		
	FY 2009	FY 2008
2009	\$ 0	\$ 7,506
2010	5,154	1,137
2011	4,785	669
2012	3,399	67
2013	28	26
2014 and thereafter	1,393	1,319
TOTAL	\$ 14,759	\$ 10,724

NOTE 6	PROPERTY AND EQUIPMENT
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Property and equipment that were capitalized at September 30, 2009 and 2008 are as follows:

(in thousands)

Classes of Property and Equipment	FY 2009			FY 2008		
	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Operating Equipment	\$ 63,311	\$ 47,780	\$ 15,531	\$ 59,367	\$ 46,667	\$ 12,700
Software	55,228	27,379	27,849	50,677	19,979	30,698
Furniture & Furnishings	2,224	815	1,409	2,179	696	1,483
Leasehold Improvements	34,445	13,481	20,964	33,715	11,344	22,371
Leasehold Improvements-in Progress	3,385	0	3,385	304	0	304
TOTAL	\$ 158,593	\$ 89,455	\$ 69,138	\$ 146,242	\$ 78,686	\$ 67,556

NOTE 7	NON-ENTITY ASSETS
---------------	--------------------------

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 2009	FY 2008
Intragovernmental Non-Entity Assets:		
Fund Balance with Treasury	\$	\$ 111
Investments		1,193,669
Accounts Receivable, Net		2
Total Intragovernmental Non-Entity Assets		1,193,782
Other Assets-with the Public	26	23
Total Non-Entity Assets	\$ 26	\$ 1,193,805
Total Entity Assets	\$ 569,624	\$ 544,730
Total Assets	\$ 569,650	\$ 1,738,535

(See Note 1.R)

NOTE 8	LEASES
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A. Capital Leases

The Library did not have assets under capitalized leases for machinery and equipment as of September 30, 2009 and 2008.

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 2009 and 2008 amounted to \$4,556,046 and \$4,510,495 respectively.

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

	(in thousands)	
	FY 2009	FY 2008
2009	\$ 0	\$ 4,395
2010	4,444	4,019
2011	1,589	1,451
2012	222	131
2013	121	104
2014 and thereafter	78	0
TOTAL ESTIMATED FUTURE LEASE PAYMENTS	\$ 6,454	\$ 10,100

NOTE 9	WORKERS' COMPENSATION
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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 \$1,657,043 and \$1,554,776 of unbilled or unpaid workers' compensation costs as of September 30, 2009 and 2008, 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 \$6,743,165 and \$7,610,625 as of September 30, 2009 and 2008 respectively, and is based on a ten-year projection. This liability is recorded on the Balance Sheet as a liability with the public.

NOTE 10	CONTINGENT LIABILITIES
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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.

NOTE 11	OTHER LIABILITIES
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Other Liabilities as of September 30, 2009 and 2008 are comprised of the following:

	(in thousands)	
	FY 2009	FY 2008
Other Liabilities-Intragovernmental:		
Deferred Credits	\$ (7)	\$ (20)
Liability for Clearing Accounts	68	30
Total Intragovernmental	61	10
Other Liabilities-With the Public		
Deferred Credits and Pledges	1,096	1,968
Advances from the Public	1,699	3,558
Total with the Public	2,795	5,526
TOTAL	\$ 2,856	\$ 5,536

NOTE 12	LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES
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	(in thousands)	
	FY 2009	FY 2008
Liabilities Covered by Budgetary Resources	\$ 120,794	\$ 1,304,584
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental	1,657	1,555
With the Public	32,348	31,140
TOTAL	\$ 154,799	\$ 1,337,279

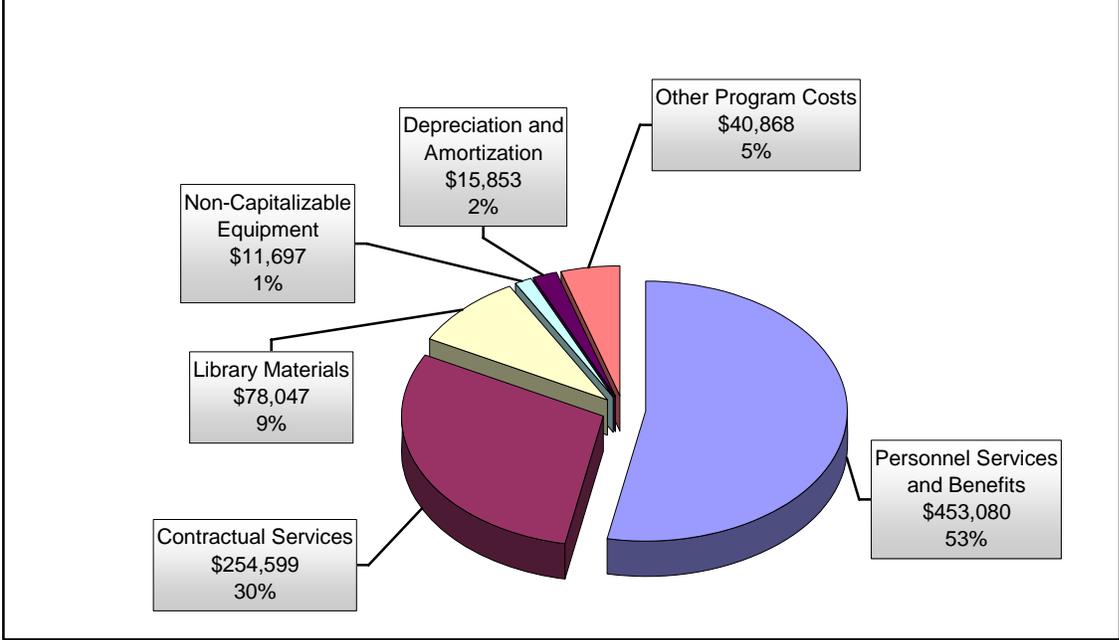
Liabilities covered by budgetary resources include accounts payable, advances from others, accrued funded payroll and benefits, custodial liabilities, deposit account liabilities, advances from the public, and deferred credits.

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

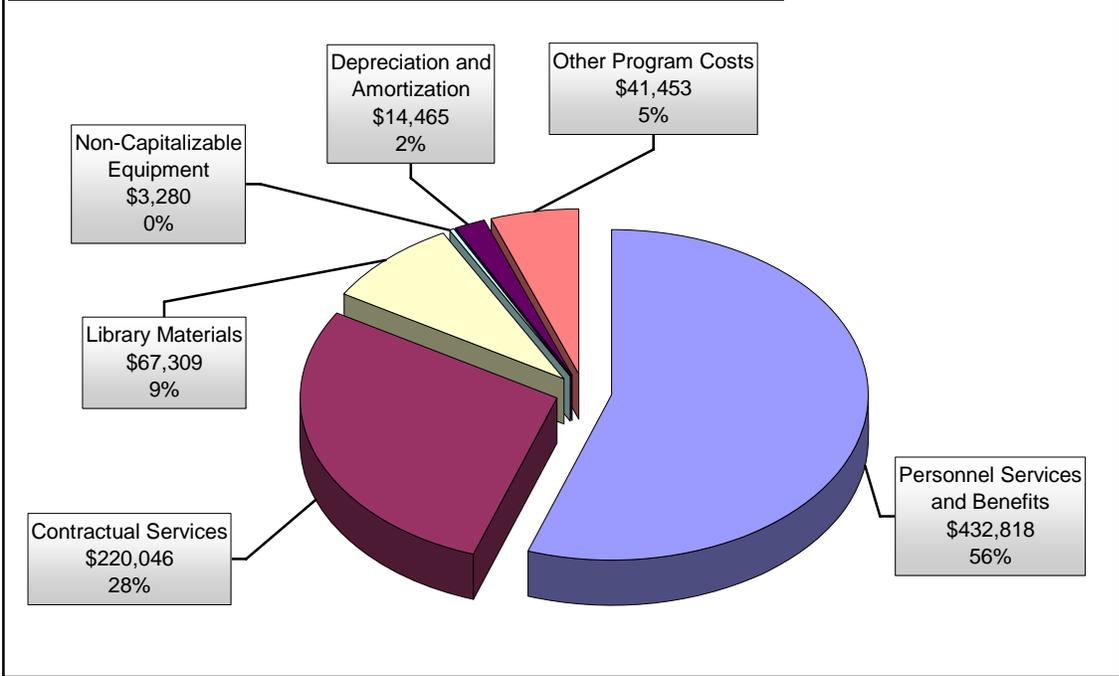
NOTE 13 PROGRAM COSTS BY BUDGET OBJECT CLASSIFICATION

(Dollars in Thousands)

FY 2009 Program Costs by Budget Object Classification



FY 2008 Program Costs by Budget Object Classification



The Library’s collections are classified as “heritage assets.” \$25.4 million and \$22.1 million of the amount designated as “Library Materials” above represents the fiscal years 2009 and 2008 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 2009	FY 2008
Commerce and Housing Credit	\$ 56,813	\$ 37,778
Education, Training, Employment, and Social Services	679,371	631,326
General Government	117,960	110,267
TOTAL	\$ 854,144	\$ 779,371

B. Earned Revenue by Functional Classification

(in thousands)

	FY 2009	FY 2008
Commerce and Housing Credit	\$ 30,027	\$ 32,828
Education, Training, Employment, and Social Services	87,660	83,050
General Government	10	23
TOTAL	\$ 117,697	\$ 115,901

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) a LCR, (2) a FSD 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.

NOTE 16	PROGRAM COSTS AND EARNED REVENUE FOR REVOLVING FUNDS
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		(in thousands)	
		FY 2009	FY 2008
Audio Visual Services:	Program Cost	\$ 127	\$ 252
	Less: Earned Revenue	(104)	(165)
	Net Program Cost	23	87
Cooperative Acquisitions Program:	Program Cost	2,490	2,734
	Less: Earned Revenue	(2,813)	(3,095)
	Net Program Cost	(323)	(361)
Decimal Classification:	Program Cost	247	327
	Less: Earned Revenue	(306)	(249)
	Net Program Cost	(59)	78
Document Reproduction and Microfilm Services:	Program Cost	2,195	2,728
	Less: Earned Revenue	(1,086)	(1,425)
	Net Program Cost	1,109	1,303
Gift Shop Operations:	Program Cost	1,564	1,675
	Less: Earned Revenue	(1,552)	(1,492)
	Net Program Cost	12	183
Federal Research Division:	Program Cost	3,038	2,870
	Less: Earned Revenue	(3,508)	(2,477)
	Net Program Cost	(470)	393
FEDLINK:	Program Cost	73,217	67,856
	Less: Earned Revenue	(71,876)	(67,694)
	Net Program Cost	1,341	162
Special Events:	Program Cost	2,586	2,784
	Less: Earned Revenue	(1,111)	(1,349)
	Net Program Cost	1,475	1,435
Total Program Cost		85,464	81,226
Less: Total Earned Revenue		(82,356)	(77,946)
TOTAL PROGRAM COSTS		\$ 3,108	\$ 3,280

These programs are discussed further in Note 1.D.

NOTE 17 **CLASSIFICATION OF PROGRAM COSTS**

(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
TOTAL	\$ 193,248	\$ 73	\$ 660,619	\$ 204	\$ 854,144

(in thousands)

FY 2008	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$ 119,437	\$ 29	\$ 310,328	\$ 122	\$ 429,916
Law Library	8,261	1	15,191	0	23,453
Copyright Office	20,612	(1)	33,071	(1)	53,681
Congressional Research Service	29,288	14	99,897	0	129,199
National Library Service for the Blind and Physically Handicapped	7,796	10	37,672	0	45,478
Revolving and Reimbursable Funds	6,846	25	90,773	0	97,644
TOTAL	\$ 192,240	\$ 78	\$ 586,932	\$ 121	\$ 779,371

NOTE 18	EARMARKED FUNDS
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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 \$3,775,257 and \$4,050,383 for fiscal year 2009 and 2008, 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 for the development and maintenance of GLIN were \$20,000 and \$2,500 for fiscal year 2009 and 2008, 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 \$27,110,693 and \$29,592,084 for fiscal 2009 and 2008, 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 \$26,386 and \$25,408 for the fiscal years 2009 and 2008.
- 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 \$17,231,102 and \$23,566,677 for fiscal year 2009 and 2008, respectively; and
- Other earmarked funds not outlined above (combined revenues of \$1,597 and \$2,634 for fiscal year 2009 and 2008, 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).

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, 2009 is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

(in thousands)

FY 2009	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Other Earmarked Funds	Total Earmarked Funds
Balance Sheet:					
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
Total Assets	\$ 29,325	\$ 8,297	\$ 145,871	\$ 1,071	\$ 184,564
Liabilities					
Cumulative Results of Operations	24,340	3,336	144,772	1,071	173,519
Total Liabilities and Net Position	\$ 29,325	\$ 8,297	\$ 145,871	\$ 1,071	\$ 184,564
Statement of Net Cost:					
Program Costs	\$ 34,645	\$ 9,897	\$ 17,498	\$ 69	\$ 62,109
Less: Earned Revenue	(30,932)	(8,774)	(906)	0	(40,612)
Net Cost of Operations	\$ 3,713	\$ 1,123	\$ 16,592	\$ 69	\$ 21,497
Statement of Changes in Net Position:					
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	0	0	583	1	584
Other Financing Sources	1,897	1,211	13,903	103	17,114
Change in Net Position	(1,816)	88	(2,106)	35	(3,799)
Net Position, Ending	\$ 24,340	\$ 3,336	\$ 144,772	\$ 1,071	\$ 173,519

Fiscal data as of, and for the year ended September 30, 2008 is summarized below.

(in thousands)

FY 2008	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Other Earmarked Funds	Total Earmarked Funds
Balance Sheet:					
Fund Balance with Treasury	\$ 14,314	\$ 7,556	\$ 14,065	\$ 989	\$ 36,924
Investments in U.S. Treasury Securities	0	0	47,235	67	47,302
Other Assets	16,753	1,072	88,021		105,846
Total Assets	\$ 31,067	\$ 8,628	\$ 149,321	\$ 1,056	\$ 190,072
Liabilities					
Liabilities	\$ 4,911	\$ 5,380	\$ 2,443	\$ 20	\$ 12,754
Cumulative Results of Operations	26,156	3,248	146,878	1,036	177,318
Total Liabilities and Net Position	\$ 31,067	\$ 8,628	\$ 149,321	\$ 1,056	\$ 190,072
Statement of Net Cost:					
Program Costs	\$ 30,037	\$ 11,406	\$ 19,355	\$ 82	\$ 60,880
Less: Earned Revenue	(33,670)	(10,280)	(747)	(0)	(44,697)
Net Cost of Operations	\$ (3,633)	\$ 1,126	\$ 18,608	\$ 82	\$ 16,183
Statement of Changes in Net Position:					
Net Position, Beginning	\$ 19,891	\$ 3,304	\$ 167,552	\$ 966	\$ 191,713
Net Cost	3,633	(1,126)	(18,608)	(82)	\$ (16,183)
Non-Exchange Revenues	0	0	1,602	3	1,605
Other Financing Sources	2,632	1,070	(3,668)	149	183
Change in Net Position	6,265	(56)	(20,674)	(70)	(14,395)
Net Position, Ending	\$ 26,156	\$ 3,248	\$ 146,878	\$ 1,036	\$ 177,318

NOTE 19	BUDGETARY RESOURCES
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Budgetary resources are classified as follows:

(in thousands)

	FY 2009			FY 2008		
	Appropriated Capital	Non- Appropriated Capital	Combined	Appropriated Capital	Non- Appropriated Capital	Combined
<i>Budgetary Resources:</i>						
Unobligated Balance, Brought Forward, October 1	\$ 21,682	1,251,940	1,273,622	\$ 50,125	\$ 1,188,039	\$ 1,238,164
Recoveries of Prior-Year Obligations	11,649	10,001	21,650	8,572	10,758	19,330
<i>Budget Authority:</i>						
Appropriation	607,096	286,320	893,416	564,460	295,910	860,370
<i>Spending Authority from Offsetting Collections:</i>						
<i>Earned:</i>						
Collected	403	132,120	132,523	273	129,118	129,391
Change in Receivables from Federal Sources	349	(170)	179	(82)	(732)	(814)
<i>Change in Unfilled Customer Orders:</i>						
Advances Received	0	2,939	2,939	0	2,472	2,472
Without Advances from Federal Sources	0	3,726	3,726	0	(1,340)	(1,340)
Expenditure Transfers from Trust Funds						
Subtotal Budget Authority	607,848	424,935	1,032,783	564,651	425,428	990,079
Nonexpenditure Transfers, Net	(2,411)	560	(1,851)	(748)		(748)
Temporarily Not Available Pursuant to Public Law	0	0	0	0	0	0
Permanently Not Available	(5,061)	(29)	(5,090)	(6,412)	(635)	(7,047)
Total Budgetary Resources	\$ 633,707	1,687,407	2,321,114	\$ 616,188	\$ 1,623,590	\$ 2,239,778
<i>Status of Budgetary Resources:</i>						
<i>Obligations Incurred:</i>						
Direct	\$ 590,836	301,494	892,330	\$ 594,506	\$ 229,889	\$ 824,395
Reimbursable		137,784	137,784	0	141,761	141,761
Total Obligations Incurred	590,836	439,278	1,030,114	594,506	371,650	966,156
Unobligated Balance (Exempt from Apportionment)	29,437	1,247,231	1,276,668	9,422	1,251,371	1,260,793
Unobligated Balance – Not Available	13,434	898	14,332	12,260	569	12,829
Total Status of Budgetary Resources	\$ 633,707	\$ 1,687,407	\$ 2,321,114	\$ 616,188	\$ 1,623,590	\$ 2,239,778

(in thousands)

	FY 2009			FY 2008		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
Change in Obligated Balance:						
<i>Unpaid Obligated Balance, Net, Brought Forward, October 1:</i>						
Unpaid Obligations, Brought Forward	\$ 212,578	\$ 68,722	\$ 281,300	\$ 168,988	\$ 71,427	\$ 240,415
Less: Uncollected Customer Payments, Brought Forward	(141)	(8,446)	(8,587)	(223)	(10,518)	(10,741)
Total Unpaid Obligation Balance, Net	212,437	60,276	272,713	168,765	60,909	229,674
Obligations Incurred, net	590,836	439,278	1,030,114	594,506	371,650	966,156
Less: Gross Outlays	(583,848)	(427,903)	(1,011,751)	(542,344)	(363,597)	(905,941)
Less: Recoveries of Prior-Year Unpaid Obligations	(11,649)	(10,001)	(21,650)	(8,572)	(10,758)	(19,330)
Change in Uncollected Customer Payments from Federal Sources	(349)	(3,556)	(3,905)	82	2,072	2,154
<i>Total Unpaid Obligated Balance, Net:</i>						
Unpaid Obligations	207,917	70,096	278,013	212,578	68,722	281,300
Less: Uncollected Customer Payments from Federal Sources	(490)	(12,002)	(12,492)	(141)	(8,446)	(8,587)
Total Unpaid Obligated Balance, Net, End of Period	\$ 207,427	\$ 58,094	\$ 265,521	\$ 212,437	\$ 60,276	\$ 272,713
Net Outlays:						
Gross Outlays	\$ 583,848	427,903	1,011,751	\$ 542,344	\$ 363,597	\$ 905,941
Less: Offsetting Collections	(403)	(135,059)	(135,462)	(273)	(131,591)	(131,864)
Less: Distributed Offsetting Receipts	0	(6,404)	(6,404)	0	(29,153)	(29,153)
Total Net Outlays	\$ 583,445	\$ 286,440	\$ 869,885	\$ 542,071	\$ 202,853	\$ 744,924

For TFB funds, approximately \$10.0 and \$16.7 million of unobligated authority for fiscal years 2009 and 2008, 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 \$79.0 and \$76.0 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2009 and 2008, respectively.

Undelivered orders, end of period:

(in thousands)

	FY 2009	FY 2008
Paid	\$ 558	\$ 1,305
Unpaid	206,887	214,359
TOTAL	\$ 207,445	\$ 215,664

NOTE 20	RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET		(in thousands)	
			FY 2009	FY 2008
RESOURCES USED TO FINANCE ACTIVITIES				
Budgetary Resources Obligated:				
Obligations Incurred	\$	1,030,114	\$	966,156
Less: Spending Authority from Offsetting Collections and Recoveries		(161,017)		(149,040)
Obligations Net of Offsetting Collections and Recoveries		869,097		817,116
Less: Distributed Offsetting Receipts		(6,404)		(29,153)
Net Obligations		862,693		787,963
Other Resources:				
Donations of Property and Services		44,025		25,537
Imputed Financing from Costs Absorbed by Others		92,066		81,271
Exchange Revenue not in the Budget		48		84
Non-exchange Revenue not in the Budget		(1,315)		(1,560)
Trust/Special Fund Exchange Revenue Receipts		(305)		(3,976)
Other Resources (+/-)		(2,667)		(23,985)
TOTAL RESOURCES USED TO FINANCE ACTIVITIES		994,545		865,334
RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS				
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided (+/-)		16,259		(32,459)
Resources that Fund Expenses Recognized in Prior Period		(868)		0
Resources that Finance the Acquisition of Assets		(23,500)		(33,717)
Budgetary Offsetting Receipts that do not Affect Net Cost of Operations		6,404		29,153
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)		(1,524)		(207,528)
Fiduciary Obligations Net of Offsetting Collections and Recoveries		(276,649)		0
TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		(279,878)		(244,551)
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS		714,667		620,783
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD				
Components Requiring or Generating Resources in Future Periods:				
Increase in Annual Leave Liability and Actuarial Liability		2,178		1,152
Other		0		0
Total Components Requiring or Generating Resources in Future Periods		2,178		1,152
Components not Requiring or Generating Resources:				
Depreciation and Amortization		15,853		14,465
Revaluation of Assets or Liabilities		3,717		27,129
Other Costs not Requiring or Generating Budgetary Resources (+/-)		32		(59)
Total Components not Requiring or Generating Resources		19,602		41,535
TOTAL COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		21,780		42,687
NET COST OF OPERATIONS	\$	736,447	\$	663,470

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 fiscal year 2009, the Library's Balance Sheet, Statement of Net Cost and Statement of Net Position will no longer include the results of operations and financial position of its funds identified as "fiduciary activities." The Statement of Budgetary Resources remains unchanged. The new FASAB standard precludes restating prior year amounts.

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 custodial 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 2009 range from October 15 to August 31 2010 and interest rates for fiscal year 2009 range from .002 percent to 2.75 percent.

Fiduciary Activity consists of the following:

	(in thousands)	
	FY 2009	FY 2008
Beginning Fiduciary Net Assets	\$ 0	\$
Implementation of SFFAS#31 (See Note 1.R)	1,193,780	
Adjusted Beginning Fiduciary Net Assets	1,193,780	
Licensing Fees	262,104	
Investment Earnings	4,028	
Gain (Loss) on Disposition of Investments, Net	0	
Total Net Inflows to Fiduciary Net Assets	266,132	
Payments to Copyright Owners	(272,871)	
Refunds of Licensing Fees	(858)	
Retained by Copyright Licensing for Administrative Costs	(2,920)	
Total Outflows from Fiduciary Net Assets	(276,649)	
Subtotal Net Fiduciary Activity	(10,517)	
ENDING FIDUCIARY NET ASSETS	\$ 1,183,263	\$

Net Fiduciary Assets consist of the following:

	(in thousands)	
	FY 2009	FY 2008
Fiduciary Assets		
Fiduciary Fund Balance with Treasury	\$ 627	\$
Investments in U.S. Treasury Securities	1,182,273	
Accrued interest from U.S. Treasury Securities	363	
Other Assets	0	
Less: Accounts Payable	0	
TOTAL FIDUCIARY NET ASSETS	\$ 1,183,263	\$

THE LIBRARY OF CONGRESS

Management Report

Fiscal Year Ended September 30, 2009

Assessment of Condition of Heritage Assets

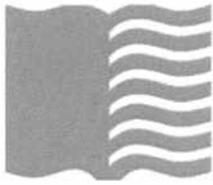
The Library has the world's largest library collection, including research materials in over 470 languages and various media. Providing access to this collection inevitably puts it at risk and could impair the Library's ability to serve the Congress and other users in the future. However, the collections 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, 2009, the collections were determined to be in a useable condition for fulfilling its service mission. During fiscal year 2009, only a very small number of collection items 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, supported by preservation research and testing, to prolong the useful life of its collections, 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; 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 15, 2010

FROM: Karl W. Schornagel
Inspector General

SUBJECT: Results of the Library of Congress FY 2009 Financial Statements Audit

The attached report presents the results of the annual audit of the Library of Congress financial statements for fiscal years (FY) 2009 and 2008.

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 fourteenth consecutive year, we are pleased to report that the auditors issued an unqualified (clean) 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.¹

¹ A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably, in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

Compliance with Laws and Regulations

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

Office of the Inspector General Oversight of Kearney & Company

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 control, and compliance with laws and regulations. Kearney is responsible for the attached auditor's report dated January 20, 2010 and the conclusions expressed in the report.² However, our review disclosed no instances where Kearney did not comply in all material respects with generally accepted government auditing standards.

cc: Chief Operating Officer
Chief Financial Officer

² 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 12, 2010.

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, 2009 and 2008, and the related consolidated statements of net cost, statements of changes in net position, and combined statements of budgetary resources (hereinafter referred to as the financial statements) for the year 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 audit.

SUMMARY

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

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 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, 2009 and 2008, and the related consolidated statements of net cost, statements of changes in net position, and combined statement 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 audit provides a reasonable basis for our opinion.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. 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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information; however, we did not audit this information and we express no opinion on it.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Library's internal control over financial reporting 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 in order to determine 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, *Audit Requirements for Federal Financial Statements*, as amended, control objectives that provide reasonable, but not absolute assurance, that: 1) transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 broadly defined by the Federal Managers Financial Integrity Act (FMFIA), such as those controls relevant to ensuring efficient operations.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Library's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Library's financial statements that is more than inconsequential will not be prevented or detected by the Library's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Library's internal control. Our consideration of internal control was for the limited purpose described in the second paragraph of this report, and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We noted no matters involving internal control and its operations that we consider to be material weaknesses or significant deficiencies.

We noted other matters involving internal control and its operations over financial reporting, which have been reported to the Library's management in a separate letter dated January 20, 2010.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the 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, *Audit Requirements for Federal Financial Statements*, as amended. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to the Library. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

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

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



January 20, 2010
Alexandria, Virginia