

**THE LIBRARY OF CONGRESS  
CONSOLIDATED FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2001**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 2001.

**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, maintaining a collection of more than 124 million items -- many of them unique and irreplaceable -- in more than 450 languages. It directly serves not only the Congress, but 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 AND PRIORITIES**

The Library's challenge, under its 1997-2004 strategic plan, is to sustain past gains while becoming a more efficient and effective operation. The Library has a proven record of making knowledge and information accessible to users everywhere -- evidenced by the exponential rate of growth in the Library's Internet transactions and the wide public acclaim of its Web site.

The Library's vision for the 21<sup>st</sup> century is to "lead the nation in ensuring access to knowledge and information and in promoting its creative use for the Congress and its constituents." The strategic plan maps the changes that will ensure that the Library -- the research and information arm of the national legislature and the world's foremost storehouse of knowledge -- continues its worthy

tradition of collecting, preserving, sharing, and fostering creativity and learning in support of the Congress, the public and the democratic ideal. Open access is the basic principle of our public library system and is more important than ever in helping prevent a division between information "haves" and "have-nots" in the electronic age. The Congress, through its library, is ensuring that the tools of learning -- and of learning about America -- will be universally accessible in the new millennium.

The Library's strategic plan priorities are:

1. to make knowledge and creativity available to the United States Congress;
2. to acquire, organize, preserve, secure, and sustain for the present and future of the Congress and the nation a comprehensive record of American history and creativity and a universal collection of human knowledge;
3. to make its collections maximally accessible to the Congress, the U. S. Government, and the public; and
4. to add interpretive and educational value to the basic resources of the Library.

At the start of the new millennium and the Library's third century, the Library is accelerating the registration of digital copyright claims and acquiring, preserving, and ensuring rights-protected access to "born digital" works that are playing an increasingly important role in the intellectual, commercial, and creative life of the United States. Given the immeasurable size and growing elusiveness of the digital universe, as well as the short life span of much of its content, it is clear that the Library faces a substantial challenge in both (1) defining the scope of its collecting responsibilities in this new world and (2) developing a whole new range of partnerships and cooperative relationships that will be required to continue fulfilling our vital historic mission. The Library's digital strategy will focus first on formulating a national strategy

for the life cycle management of digital materials as part of the national collection.

## **BRIEF HISTORY**

The Library of Congress is a living monument to the remarkable wisdom of the Founding Fathers who saw access to an ever-expanding body of knowledge as essential to a dynamic democracy. The Library's three buildings are named for Thomas Jefferson, John Adams, and James Madison. With the support of these Presidents, the Congress established the Library in 1800, as soon as it moved to the new capital city of Washington, and established the Joint Committee on the Library as the first Joint Committee of the Congress in 1802.

Jefferson, in particular, took a keen interest in the new institution. After the British burned the Capitol and the Library during the War of 1812, Congress accepted Jefferson's offer to "recommence" the Library and purchase his multi-lingual 6,487-volume collection (then the finest in America) at a price of \$23,950. It contained volumes in many languages on everything from architecture to geography and the sciences. Anticipating the argument that his collection might seem too wide-ranging for Congress, Jefferson said that there was "no subject to which a Member of Congress might not have occasion to refer."

Jefferson's ideals of a "universal" collection and of sharing knowledge as widely as possible still guide the Library. With Congressional blessing and support, the Library has grown to serve the Congress and the nation more broadly in ways that no other library has ever done, largely as a result of four milestone laws: (1) the copyright law of 1870, which 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; (2) the 1886 authorization of the first separate Library of Congress building that contained openly accessible reading rooms and exhibition space for the general public; (3) the 1902 law that authorized the Library to sell its cataloging records inexpensively to the nation's libraries and thus massively help to subsidize the entire American library system; and (4) the law in 1931 that established the program in the Library to create and supply free library materials to blind and physically handicapped readers throughout the country. Congress thus established the basis both for the continued growth of the collections and

for the extension of the Library's services to citizens everywhere.

In 1914, 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." In 1946, the Congress granted LRS further statutory status within the Library and directed it to employ specialists to cover broad subject areas. Congress renamed LRS as the Congressional Research Service (CRS) in 1970 and enhanced its analytical capabilities by defining its policy role for the Congress and emphasizing research support to the committees of Congress.

More recently, a series of Congressional statutes have created within the Library of Congress the American Folklife Center (1976), the American Television and Radio Archives (1976), the National Center for the Book (1977), the National Film Preservation Board (1988), the National Film Preservation Foundation (1996), the Cooperative Acquisitions Program Revolving Fund (1997), the Sound Recording Preservation Board and Foundation (2000) and the authorization of three revolving funds for fee services (2000) -- further extending the Library of Congress' national role.

## **THE LIBRARY OF CONGRESS TODAY**

The core of the Library is its incomparable collections and the specialists who interpret and share them. The Library's 124 million items include almost all languages and media through which knowledge and creativity are preserved and communicated.

The Library has more than 28 million items in its print collections, including 5,706 volumes printed before the year 1500; 12 million photographs; 4 million maps, 2 million audio recordings; 877,000 motion pictures, including the earliest movies ever made; 5 million pieces of music; 55 million pages of personal papers and manuscripts, including those of 23 Presidents of the United States as well as hundreds of thousands of scientific and government documents.

New treasures are added each year. Notable acquisitions during fiscal year 2001 include: the collections of Patrick Hayes and Evelyn Swarthout, Frederick Loewe, Shelly Manne, Richard Robbins, Arnold T. Schwab and Don Walker; the archives of Theodore Presser; eighty-one letters of Leon Bakst, Irving Berlin, Johannes Brahms,

Aaron Copland, Marilyn Horne, Otto Klemperer, Erich Wolfgang Korngold, Franz Liszt, Felix Mendelssohn, Ned Rorem, and Arnold Schoenberg; eight topographical sketches and military views drawn by Gustavus Sohon; 15,000 Arabic manuscripts held by the British Library; and 2,738 items for the Architecture, Design and Engineering collections. During fiscal year 2001, the Library also reached an agreement with Prince Johannes Waldburg-Wolfegg, to purchase the only known copy of the map that has been called "America's birth certificate," which was compiled by cartographer Martin Waldseemüller in 1507. This is the first document, printed or manuscript, to refer to the new world as "America" and to depict the lands of a separate Western Hemisphere with the Pacific as a separate Ocean. The map will be on permanent display in the Thomas Jefferson Building.

Every workday, the Library's staff adds more than 10,000 new items to the collections after organizing and cataloging them and finds ways to share them with the Congress and the nation -- by providing on-line access across the nation, by assisting users in the Library's reading rooms, and by featuring the Library's collections in cultural programs.

Major annual services include delivering **more than 710,000** congressional research responses and services, registering **more than 600,000** copyright claims, and circulating **more than 23 million** audio and braille books and magazines free to blind and physically handicapped individuals all across America. The Library annually catalogs **more than 270,000** books and serials and provides the bibliographic record inexpensively to the nation's libraries, saving them millions of dollars annually.

The Library also provides free on-line access, via the Internet, to its automated information files, which contain **more than 75 million** records -- to Congressional offices, Federal agencies, libraries, and the public. The Library's Internet-based systems include major World Wide Web (www) services (e.g., Legislative Information System, THOMAS, [www.loc.gov](http://www.loc.gov), [www.AmericasLibrary.gov](http://www.AmericasLibrary.gov), Global Legal Information Network, the Library of Congress On-line Public Access Catalog (<http://catalog.loc.gov>), and various file transfer options.

The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. The Deputy Librarian of Congress is the Chief Operating Officer who manages the day-to-day

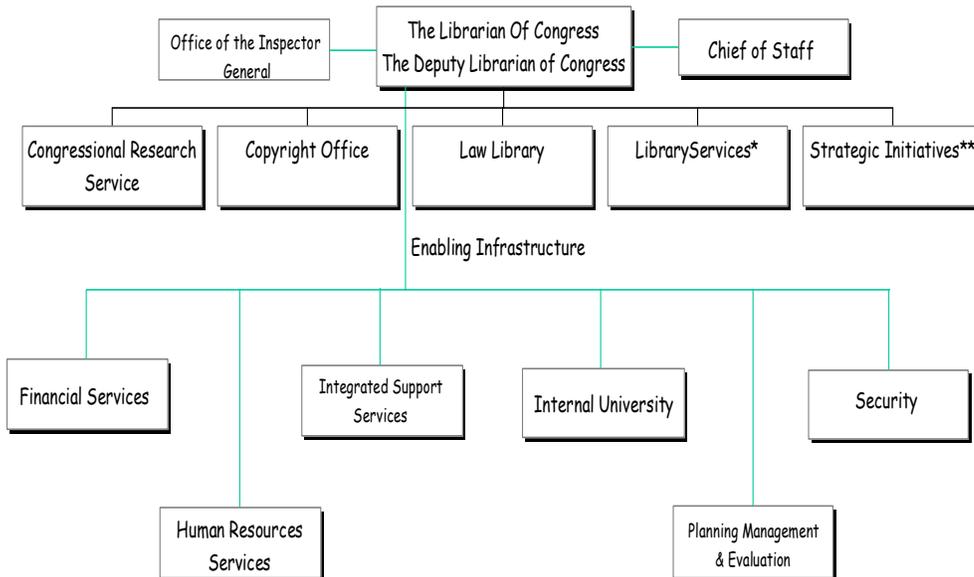
operations through five service units and an enabling infrastructure (see organizational chart).

The Library has six programs:

- National Library
- Law Library
- Copyright Office
- Congressional Research Service
- National Library Service for the Blind and Physically Handicapped
- Reimbursable and Revolving Funds

The Library of Congress programs and activities are funded by four salaries and expenses (S&E) appropriations which support congressional services, national library and law library services, copyright administration, library services to blind and physically handicapped people, and management support. A separate appropriation funds furniture and furnishings.

# Library of Congress



\* Includes National Library Service for the Blind and Physically Handicapped; Program costs reported under National Library Program

\*\* Includes Information Technology Services; Program costs reported under National Library Program and infrastructure costs are allocated.

## OVERVIEW OF FINANCIAL STATEMENTS

For fiscal years 2001 and 2000, the Library has prepared a Consolidated Balance Sheet, Consolidated Statement of Net Costs, Consolidated Statement of Changes in Net Position, a Combined Statement of Budgetary Resources and a Combined Statement of Financing (see Section 2).

### Consolidated Balance Sheet

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, 2001 and 2000. 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 as a monetary asset. Instead, the Library prepares a Stewardship Report (see Section 3), which describes the collections and provides relevant information about their use, preservation, security, etc. 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, reimbursable and revolving funds.

Assets (in millions)			Liabilities and Net Position (in millions)		
	2001	2000		2001	2000
Entity Assets	\$ 479.6	\$ 385.9	Liabilities Covered by Budgetary Resources	\$ 633.4	\$ 693.9
Non-Entity Assets	555.0	612.4	Liabilities Not Covered by Budgetary Resources	31.7	92.9
			Total Liabilities	665.1	786.8
			Net Position	369.5	211.5
<b>Total Assets</b>	<b>\$ 1,034.6</b>	<b>\$ 998.3</b>	<b>Total Liabilities and Net Position</b>	<b>\$ 1,034.6</b>	<b>\$ 998.3</b>

The Library's assets total more than \$1 billion dollars for fiscal year 2001 and just under \$1 billion dollars in fiscal year 2000. Entity assets increased by \$93.6 million during fiscal year 2001 primarily as a result of a \$100 million appropriation for the National Digital Information Infrastructure Preservation Program (NDIIPP), which is offset by a \$22.2 million unrealized loss on non-Treasury investments. Non-entity assets (i.e., funds held and invested for future distribution to copyright owners) comprise 54 percent and 61 percent of all assets and total \$556.2 and \$612.3 million for fiscal years 2001 and 2000, respectively. Non-entity (custodial) assets decreased by \$57.4 million during fiscal year 2001 because current year royalty receipts were less than multiple prior-year royalty distributions to Copyright owners. The Copyright Office made six distributions of royalty fees, totaling \$266.0 million, during fiscal year 2001 – a decrease of \$101.8 million from fiscal year 2000. The Library is authorized to invest the royalty funds in U.S. Treasury securities until the funds are distributed.

The Library's liabilities total \$665.1 and \$786.9 million for fiscal years 2001 and 2000, respectively, with custodial and deposit account activities (i.e., funds held for future distribution to copyright owners) as the major item. The custodial liability decreased following the large royalty distribution made during fiscal year 2001. The decrease in overall liabilities was also due to the acceptance of the John Kluge pledge by the Trust Fund Board in fiscal year 2001. Other large liabilities include funds advanced from other governmental agencies for the FEDLINK program and accounts payable for various

operating expenses.

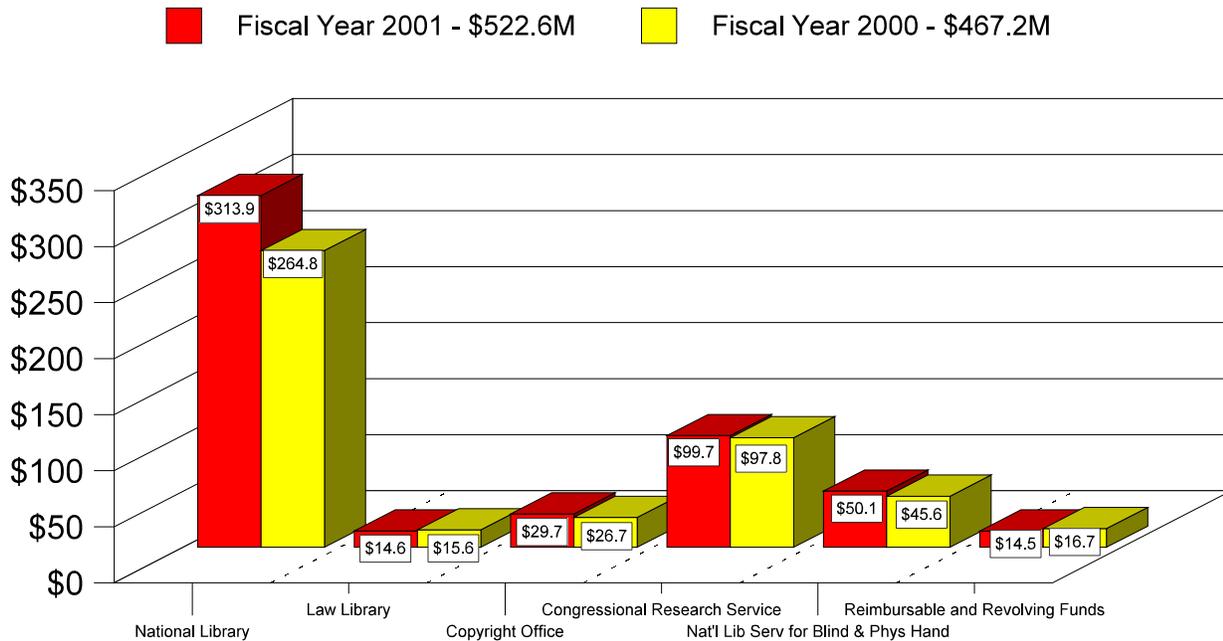
The accompanying Balance Sheet does not include the acquisition and improvement costs of the Library's buildings and grounds. By law, these buildings and grounds are under the structural and mechanical care of the Architect of the Capitol.

#### Consolidated Statement of Net Costs

The purpose of the Consolidated Statement of Net Costs is to provide financial statement users with information about the costs and earned revenues for the Library's seven programs for the fiscal year ended September 30, 2001 and 2000. In other words, the statement presents the net costs of our programs -- \$522.6 and \$467.2 million for the fiscal years 2001 and 2000, 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:

# The Library of Congress

## Consolidated Statement of Net Costs



**National Library** - With net program costs of \$313.9 and \$264.8 million for fiscal years 2001 and 2000, 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. The significant increase in net program costs is due, along with normal increases in operating activities, to the increase of \$41.3 million of cost incurred on behalf of the Library by the Ad Council during fiscal year 2001. As the advertising services are being donated to the Library by the Ad Council, the offsetting \$58.4 million and \$17.1 million of donated revenue is reflected in the Consolidated Statement of Changes in Net Position for fiscal years 2001 and 2000 respectively.

National Library provides the following major 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 and related products for libraries and bibliographic utilities in all fifty states and territories -- cataloging that saves America's libraries millions of dollars annually (the money it would cost them if they had to catalog the books and other materials themselves).
- ▶ **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 responds to nearly one million information requests a year from across the nation, including more than 500,000 in person in the 19 reading rooms open to the public in Washington. In addition, the Library responds to some 56,000 free interlibrary loan requests from across the nation and to nearly 26,000 requests for book loans from the Congress each year. The Library also provides

fee-for-service research to executive and judicial branch agencies.

- ▶ **On-line Access Services** -- The Library provides free on-line access via the Internet to its automated information files, which contain more than 75 million records -- to Congressional offices, Federal agencies, libraries, schools, and the public. Internet-based systems include three World Wide Web (www) services (e.g., THOMAS, [www.loc.gov](http://www.loc.gov)), the Library of Congress On-line Public Access Catalog (<http://catalog.loc.gov>), and various file transfer options. These Internet-based systems now record more than 90 million transactions a month.
- ▶ **American Creativity** -- The Library manages the 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. 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.
- ▶ **Preservation** -- The Library develops and manages a program to preserve the diverse materials and formats in the Library's collections. The program provides a full range of prospective and retrospective preservation treatment for approximately 500,000 items a year; conducts research into new technologies; emphasizes prevention 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 42 states and the District of Columbia, and nearly 100 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 some 90,000 surplus books annually to qualified libraries and nonprofit educational institutions through its nationwide donation program.

**Law Library** - The Law Library of Congress, with net program costs of \$14.6 and \$15.6 million for fiscal years 2001 and 2000, respectively, provides direct research service to the Congress in foreign, international, and comparative law. The decrease in program costs results from a decrease in allocated administrative costs. 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 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 -- the foreign diplomatic corps, international organizations, members of the bench and bar, educational institutions, nongovernmental libraries, legal service organizations, and the general public -- serving more than 100,000 users annually.

**Copyright Office** - The Copyright Office (CO), with net program costs of \$29.7 and \$26.7 million for fiscal years 2001 and 2000, 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. The increase in net program costs in fiscal year 2001 is a result of a growth in normal operating activities and \$1.4 million used for business process and information technology re-engineering projects. A portion of the additional costs were funded by prior years receipts that were available for use in fiscal year 2001. In fiscal year 2001, the CO registered more than 600,000 claims to copyright, transferred more than 700,000 works to the Library, recorded more than 15,200 documents containing more than 157,000 titles, logged 12.1 million electronic transactions to its Web site (a 26 percent increase), and responded to almost 340,000 in-person, telephone and e-mail requests for information. The CO convenes and supports Copyright Arbitration

Royalty Panels for the purpose of (a) distributing hundreds of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law, and (b) adjusting the royalty rates of these license provisions. Registration fees and authorized reductions from royalty receipts fund most of the CO. Copies of works received through the copyright system form the core of the Library's immense Americana collections, which provide the mint record of American creativity.

**Congressional Research Service** - The Congressional Research Service (CRS), with net program costs of \$99.7 and \$97.8 million for fiscal years 2001 and 2000, respectively, provides non-partisan analytical research and information services to all Members and committees of the Congress. CRS works directly and exclusively for the Congress in support of its legislative functions. By maintaining a cost-effective, shared pool of expertise, CRS provides timely and balanced analyses of legislative proposals and public policy issues through provision of reports, tailored confidential memoranda, individual consultations and briefings – a comprehensive source of information and analysis on almost any legislatively relevant subject. CRS delivers more than 710,000 research responses and services annually.

**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 more than 740,000 blind and physically handicapped people -- circulating at no cost to users approximately 23 million items a year. 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 2001 and 2000 net program costs for this segment were \$50.1 and \$45.6 million, respectively.
2. A cooperating network of 137 regional and subregional (local) libraries distribute the machines and library materials provided by the Library of Congress.
3. The U.S. Postal Service receives an appropriation to support postage-free mail for magazines, books, and machines which are sent directly to readers. Reading materials (books and magazines) and playback machines are sent

to a total estimated readership of 742,000 comprised of more than 500,000 audio and braille readers registered individually, in addition to an estimated 200,000 eligible individuals located in 36,000 institutions.

**Reimbursable and Revolving Funds** - Two major reimbursable programs make up the major portion of the reimbursable revenues: the Federal Library and Information Network (FEDLINK) and the Federal Research Division (FRD). The Library also provides accounting services for three legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the Office of Compliance and the Capitol Preservation Commission). In addition, the Library of Congress, under the authority of 2 U.S.C. 160, operates ten gift revolving fund activities to provide, in various formats, duplication and preservation services, exhibits and other special programs, and retail marketing to other Government agencies, libraries, other institutions, and the general public. Under the authority of 2 U.S.C. 182, the Library also operates a Cooperative Acquisitions Program revolving fund under which the Library acquires foreign publications and research materials on behalf of participating institutions on a cost-recovery basis. 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.

After reflecting earned revenues of \$57.2 and \$58.7 million in fiscal years 2001 and 2000, respectively, reimbursable and revolving fund net program costs totaled \$14.5 and \$16.7 million, respectively. The net program costs were primarily the result of the elimination of \$6.2 and \$7.4 million of intra-Library net revenues, \$3.5 and \$4.0 million in allocated administrative overhead, and \$3.0 million each year in imputed inter-governmental costs (e.g., employee benefits) not recovered by fees charged by the revolving funds for fiscal years 2001 and 2000, respectively. The other \$1.8 and \$2.3 million of net program costs were predominately the result of the declining operations of the Photoduplication Service, which had losses of \$1.3 and \$1.1 million for fiscal years 2001 and 2000, respectively. A general description of major reimbursable and revolving funds are:

- ▶ **Federal Library and Information Network (FEDLINK)** - The Library coordinates services and programs on behalf of federal libraries and information centers, providing education and training programs and administering a cost-

effective book, serial, and database procurement program. Approximately 1,200 Federal offices participate in the program, which saves the offices an estimated \$6.3 million annually in contract cost avoidance benefits and \$12.3 million more in products and services discounts. In fiscal years 2001 and 2000, FEDLINK earned revenues of \$50.2 and \$50.0 million, respectively, consisting of \$46.2 and \$46.1 million for payment of member services and \$4.0 and \$3.9 million for administrative costs.

- ▶ **Federal Research Division (FRD)** - The Federal Research Division 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 FRD product, available on-line via the Library's home page, is the country study series of books.
- ▶ **Photoduplication Service** - The Photoduplication Service provides preservation microfilming services for the Library's collections and reprographic services to other libraries, research institutions, government agencies, and individuals in the United States and abroad. Earned revenues were \$2.9 and \$4.5 million in fiscal years 2001 and 2000, respectively, and intra-Library transactions of \$0.6 and \$2.2 million were eliminated during consolidation. This activity was downsized in fiscal year 2001 to reflect a lower level of business.
- ▶ **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 \$2.2 and \$1.8 million for fiscal years 2001 and 2000.
- ▶ **Recording Laboratory** - The Recording Laboratory provides preservation services for the Library's collections and audio and visual duplication services for the general public. Audio and visual products are also produced for sale to the general public. Earned revenues for

fiscal years 2001 and 2000 were \$0.6 and \$0.7 million, respectively, of which \$0.4 and \$0.3 million was for intra-Library transactions which were eliminated in the consolidated statements.

- ▶ **Constance Green Fund** - The Constance Green Fund supports the Library's retail marketing sales shop activities. Earned revenues for fiscal years 2001 and 2000 were \$1.7 and \$1.9 million, respectively.

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

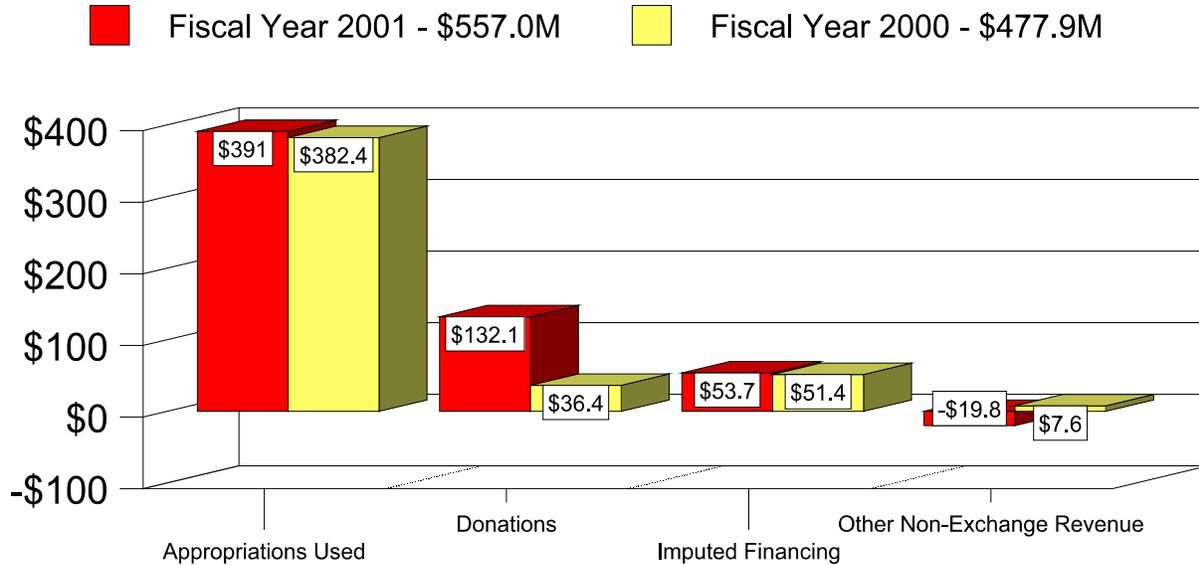
The purpose of the Consolidated Statement of Changes in Net Position is to provide financial statement users with information about the Library's financing sources and the components of the changes in net position. The Library's financing sources totaled \$557.0 and \$477.9 million for the fiscal years ended September 30, 2001 and 2000, respectively.

(\$0.2 million each year). In addition, the Library's

# The Library of Congress

## Consolidated Statement of Changes in Net Position

### Total Financing Sources



The major source of the Library's funding is from Congressional appropriations for five programs: Library Services, 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, 2001 and 2000 totaled \$391.0 and \$382.4 million or 69.6 and 80.0 percent, 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, Government Printing Office) used Congressional appropriations and other financing sources to provide support for the Library's programs totaling an estimated \$53.7 and \$51.4 million (imputed financing) for fiscal years 2001 and 2000, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$30.8 and \$30.1 million), employee benefits (\$22.1 and \$20.4 million), acquisitions exchange services (\$0.6 and \$0.7 million) and settled legal claims

donations increased by \$95.7 million during fiscal year 2001 as a result of the acceptance of the John Kluge pledge and the increase in donated Ad Council advertising services. The other non-exchange revenue is negative primarily as a result of the \$22.2 million unrealized loss on non-treasury investments.

The Library's net position increased by \$158.0 and \$18.6 million during fiscal years 2001 and 2000, respectively. The Library's net position traditionally increases due to increases in the amount of gift and trust funds and the amount of unexpended appropriations. With the John Kluge donation increasing the Library's trust funds and the \$100 million NDIIPP appropriation yet to be used significantly, the net position of the Library increased dramatically in fiscal year 2001.

### Combined Statement of Budgetary Resources

The Combined Statement 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 reconciles obligations incurred to total outlays.

The Library's budgetary resources were \$1.6 billion for both fiscal years 2001 and 2000, of which \$537.4 and \$411.7 million were appropriated funds and \$1,065.2 and \$1,173.1 million were non-appropriated funds. Total outlays of \$742.5 and \$785.5 million were incurred with the outlays of appropriated funds (\$394.6 and \$380.1 million) combined with outlays of the non-appropriated funds (\$347.8 and \$405.4 million) in fiscal years 2001 and 2000. The decrease in outlays is primarily a result of the aforementioned decrease of distributions of royalty fees during fiscal year 2001.

### **Combined Statement of Financing**

The Combined Statement of Financing is presented to explain how budgetary resources obligated during the fiscal year (presented on the Combined Statement of Budgetary Resources) relate to the net costs of operations of the Library (presented on the Consolidated Statement of Net Costs). The Library had a difference between its net obligations (\$740.3 and \$796.7 million) and its net costs (\$522.6 and \$467.2 million) of \$217.7 million and \$329.5 million for fiscal years 2001 and 2000, respectively. This difference is primarily explained by the refunds of non-exchange revenue and copyright licensing royalties (\$269.1 and \$374.6 million) and capitalized costs (\$73.9 and \$33.8 million) being offset by increases of resources of non-budgetary donations (\$58.9 and \$17.5 million) and non-budgetary imputed costs (\$53.7 and \$51.4 million).

Since 1997, the Library's collections have increased from 113 million to 124 million items -- an increase of 11.2 million or 9.9 percent. Over the same five-year period, the full-time equivalent (FTE) staff paid by appropriated funds has decreased from 4,010 to 3,891 -- a decrease of 119 FTE's or 3.0 percent. The Library's Internet transactions have grown dramatically from 345 million in fiscal year 1997 to 1.3 billion in fiscal year 2001. Internet-based systems include major World Wide Web services (e.g., THOMAS, LC-Web) and various file transfer options. These Internet-based systems now record more than three million transactions daily. This rapid growth will almost certainly continue to increase because the Library has put on-line more than seven million items of American history as the core of a National Digital Library and launched a new educational Web site for families on April 24, 2000, called "America's Library."

## **KEY PERFORMANCE MEASURES**

THE LIBRARY OF CONGRESS							
COMPARISON OF APPROPRIATIONS, STAFF, AND WORKLOAD STATISTICS							
For the Fiscal years 1997, 1998, 1999, 2000 and 2001							
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	CHANGE 1997 - 2001	% CHANGE
<b>LIBRARY APPROPRIATIONS - ACTUAL</b>	\$361,896,000	\$377,207,000	\$391,660,000	\$427,457,610	\$550,347,401	+ \$188,451,401	+ 52.1
<b>FULL-TIME EQUIVALENT (FTE) POSITIONS (Appropriated)</b>	4,010	3,958	3,923	3,919	3,891	- 119	- 3.0
<b>SIZE OF LIBRARY COLLECTIONS</b>	113,026,742	115,505,695	118,993,629	120,976,339	124,247,602	+ 11,220,860	+ 9.9
<b>WORKLOAD STATISTICS:</b>							
Unprocessed Library Arrearages	19,952,205	19,090,657	19,793,689	19,215,629	21,142,980	- 1,190,775	- 6.0
CRS - Requests & Services Provided Congress	531,162	560,423	545,663	584,384	711,612	+ 180,450	+ 34.0
Loans of Collections to Congress	30,708	30,614	26,193	29,276	25,713	- 4,995	- 16.3
Copyright Claims Registered	569,226	558,645	594,501	515,612	601,659	+ 32,433	+ 5.7
Copyright Inquiries	421,150	395,456	436,627	385,513	339,658	- 81,492	- 19.3
Services to the Blind & Physically Handicapped (BPH) - Readership	764,800	761,600	764,600	759,000	742,000	- 22,800	- 3.0
BPH - Books & Magazines; Total Circulated	22,437,900	22,553,100	22,665,000	22,825,000	23,100,000	+ 662,100	+ 3.0
BPH - New Braille & Audio Books & Magazines Titles	2,691	2,764	2,647	2,729	2,638	- 53	- 2.0
Print Materials Cataloged	289,154	274,890	205,893	224,544	273,534	- 15,620	- 5.4
National Coordinated Cataloging Operation (NACO) - LC Contribution	118,054	186,515	80,176	80,066	90,542	- 27,512	- 23.3
National Coordinated Cataloging Operation - Outside Contribution	146,858	173,721	133,011	128,160	143,031	- 3,827	- 2.6
Exhibits, Displays, & Publications (Funded by Appropriations)	14	14	14	18	18	+ 4	+ 28.6
Regular Tours (Participants)	56,716	60,465	64,489	59,536	105,988	+ 49,272	+ 86.9
Reference Service	1,094,588	1,101,717	967,387	912,120	828,533	- 266,055	- 24.3
Main Reading Room & Five Other Reading Rooms Hours Per Week	65	65	65	65	65	0	0.0
Items Circulated	2,070,798	2,105,278	1,767,565	1,694,582	1,580,162	- 490,636	- 23.7
Preservation Treatment - Original Format	309,597	354,027	472,027	263,817	326,623	- 17,026	+ 5.5
Mainframe Computer Transactions	247,691,844	270,259,005	331,103,221	85,217,677	63,913,258	- 183,778,586	- 74.2
Integrated Library System Input/Update Transactions	0	0	0	59,319,648	65,663,286	+ 65,663,286	0.0
Machine Readable Cataloging (MARC) Records	27,519,078	28,093,497	28,890,000	29,633,607	31,103,700	+ 3,584,622	+ 13.0
Internet Transactions (i.e., LOCIS, MARVEL, World Wide Web, and THOMAS public transactions)	345,221,229	615,149,938	728,226,616	931,256,160	1,283,747,169	+ 938,525,940	+ 271.9

Other noteworthy workloads include the following:

- ▶ The number of Congressional requests and services annually provided by the Congressional Research Service (CRS) increased from 531,162 in 1997 to 711,612 in 2001. This increase is attributable to an increase in congressional use of CRS electronic services, particularly the CRS Web site.
- ▶ The annual number of registrations in the Copyright Office increased by 32,433, from 569,226 in 1997 to 601,659 in 2001, and the number of copyright inquiries answered annually decreased by 81,492 from 1997 to 2001. This decrease is principally due to growing public use of the Copyright Office's Web site for information on copyright law, the Copyright Office's services, and Copyright Office forms and publications. Increases in registrations between 2000 and 2001 are primarily a result of increased staff productivity.

- ▶ The number of print materials cataloged decreased by 15,620 from 1997 to 2001 and arrearages increased in 2001 due to additional resources being allocated from these activities to the implementation of the Library of Congress Integrated Library System (LC ILS).
- ▶ The number of information requests handled by reference staff decreased from 1.1 million in 1997 to 0.8 million in 2001, while the number of Internet transactions increased from 345 million to 1.3 billion. This trend reflects greater use of the Library's on-line resources.

- ▶ The number of free reading materials circulated across the country each year to the blind and physically handicapped increased by 275,000 to 23.1 million in 2001.
- ▶ Regular tours increased by 46,452 from 2000 to 2001 due to a restructuring of the docents into three shifts. This restructuring allowed for more congressional, public and group tours and the offering of a shorter “highlight tour” at the end of the day.
- ▶ The number of mainframe transactions decreased significantly during 2001 because of the continued implementation of the LC ILS, which is a client server application, and the shut down of previous multiple mainframe applications.

## **MAJOR GOALS AND ACCOMPLISHMENTS IN FISCAL YEAR 2001**

The following are the highlights from the fiscal years 2002 and 2003 Library of Congress budget request documents, which document goals of the Library for fiscal year 2001 and the accomplishments of those goals:

### **National Library:**

**Goal:** Advance the Library’s mission to acquire, describe, preserve, and serve a universal collection through re-engineering the use of new and emerging technology and the support of collaborative and private sector partnerships.

**Accomplishments:** The Election 2000 collection is the first large-scale collection of Web sites archived and made available on-line. The collection was created by the Library, in concert with Alexa Internet, to preserve open access Web materials pertaining to the November 2000 U.S. national election. In addition, the Library, in collaboration with the Internet Archive, [webArchivists.org](http://webArchivists.org) and the Pew Internet & American Life Project, launched a September 11 Web Archive ([September11.archive.org](http://September11.archive.org)). The archive preserves the Web expressions of individuals, groups, the press and institutions in the United States and from around the world in the aftermath of the attacks in the United States on September 11, 2001. The Library also launched the Veterans History Project to collect oral history interviews

and other documentation from American war veterans, and create a collection and on-line resources at the Library for present and future generations. Many veterans organizations have been enlisted as project partners, and a private organization has made a major contribution to fund the project. Finally, “Ask a Librarian” buttons were made available on four reading room home pages putting patrons in touch with library specialists, and a “live chat” reference pilot has been launched, allowing library patrons to communicate in real-time over the Internet with professional librarians.

**Goal:** Meet the revised total arrearage goals approved by the Congress, which both helps protect collections and makes them known and accessible to readers

**Accomplishments:** Library Services is working toward the overall goal for the year 2007 reported to Congress. The arrearage did grow in 2001 because of the implementation of the LC ILS, hiring delays and major acquisition initiatives that accompanied the Library’s 2000 bicentennial.

**Goal:** Better secure the “heritage assets” of the Library of Congress using the four categories of internal controls for the security of these assets: bibliographic, inventory, physical, and preservation internal controls

**Accomplishments:** Library Services worked with the Office of Security to complete three random sampling projects in the Prints and Photographs, Manuscript, and Anglo-American Acquisitions divisions to establish over time credible baselines enabling the Library to assess the magnitude of theft and mutilation. In addition, Library Services and the Office of Security designed electronic and physical security systems for the protection of items to be housed in the Library’s planned motion pictures storage facility in Culpeper, VA, and, in coordination with the AOC, hired consultants and contractors to design and install electronic and physical security control systems supporting the planned opening of the Library’s Module 1 collections storage facility at Fort Meade, Maryland.

**Goal:** Complete implementation of all phases of the Integrated Library System (LC ILS) including basic task orders and Release 2000 of the software, and support LC ILS-related business process improvement initiatives for circulation.

**Accomplishments:** Library Services used the new LC ILS to improve book labeling, gather individual production statistics, and streamline workflows.

Goal: Expand the mass deacidification program to deacidify 100,000 books through the Bookkeeper process.

Accomplishments: The mass deacidification program completed the fiscal years 1997-2001 mass deacidification contract, treating 306,000 books (41.5 percent over the contract goal) and awarded a five-year contract that will enable the Library to treat 1,000,000 books and 5,000,000 sheets of unbound materials such as manuscripts.

Goal: Continue developing collaborative relationships with world-wide institutions and expand their participation in a Collaborative Digital Reference Service (CDRS).

Accomplishments: The CDRS increased world-wide membership to 185 institutions providing professional reference service and access to global resources for researchers anytime, anywhere. In addition, the Library of Congress and the Online Computer Library Center (OCLC) signed a major cooperative agreement to develop a prototype of a new reference service based on the CDRS.

Goal: Continue to expand the number of cooperative cataloging participants in the Program for Cooperative Cataloging and increase the total number of bibliographic and authority records contributed.

Accomplishments: Library Services wrote specifications for and arranged delivery via file transfer protocol (FTP) of 18,000 bibliographic records describing foreign newspapers to the Center for Research Library to form the core database for the International Coalition on Newspapers' (ICON) Union List of Global Newspapers. In addition, the Library admitted 42 new libraries to the Name Authority Cooperative (NACO), the name authority component of the Program for Cooperative Cataloging, which trained 175 new catalogers nationwide in name and series authority work and produced 143,031 new name authority records. The National Library also coordinated the contribution of 73,115 bibliographic records through the Bibliographic Records Cooperative (BIBCO), the monograph bibliographic record component of the Program for Cooperative Cataloging and led efforts to revise international standards for bibliographic description and to streamline cataloging rules.

Goal: Continue the *American Treasures of the Library of Congress* exhibition (rotating items for preservation purposes); enhance and expand the Library's public programs through lectures, poetry readings, on-line exhibitions, and supplementary educational materials

(primarily through private funds); and mount a major new exhibition, *World Treasures of the Library of Congress*

Accomplishments: *World Treasures of the Library of Congress* opened as a new permanent exhibit dedicated to our international collections. In addition, two new collections were added to the Library's American Memory Web site: the entire collection of Hannah Arendt papers and "Civil War Treasures from the New-York Historical Society", which includes stereographs, photographs, sketches, posters, etchings and envelopes with printed or embossed decoration related to Civil War events and personalities.

Goal: Promote increased usage of foreign language and special format collections.

Accomplishments: A new online catalog, SONIC (Sound Online Inventory and Catalog), allows access to the records describing the largest publicly-available audio collection in the world at the Library of Congress.

## **Law Library:**

Goal: To provide legal research, analysis and reference service to Congress.

Accomplishments: The Law Library established a digital version of the Law Library congressional publication, providing more effective coverage, and established a congressional Web site providing guidance to Law Library products and services. In addition, the Law Library responded to constitutional and statutory issues relating to contested presidential elections and the electoral college, including obtaining collections relating to these subjects for use by Members of Congress and their staffs, committees, and CRS staff. The Law Library also obtained collections of United States publications on terrorism, airline safety, money laundering, and the political and legal structures of Afghanistan, and created bibliographies on the subjects.

Goal: To ensure the Law Library collections were developed, maintained and preserved to maximize its customers' ability to use materials for research and analysis.

Accomplishments: The Law Library reduced looseleaf arrearages by 21 percent and arrearages in U.S. courts records and briefs by 95 percent. In addition, the Law Library surveyed and updated all links on the Law Library's guide to on-line resources, to ensure that only active and best available sites containing primary and

secondary legal and legislative information were included, and increased the number of active links 400 percent.

Goal: To expand the Global Legal Information Network (GLIN) as a major component of the Law Library's digital future.

Accomplishments: The Law Library conducted a GLIN assessment mission in Taiwan and provided GLIN training for teams from Ecuador and Taiwan, resulting in the addition of these two countries to the GLIN network in fiscal year 2001. In addition, the Law Library hosted the 8<sup>th</sup> Annual GLIN Directors' Meeting that brought together representatives from 11 member nations and two potential member nations and resulted in the adoption of a new charter for the network that will help insure reliability standards.

### **Copyright Office:**

Goal: Maintain and enhance the policy role of the Library of Congress through the Copyright Office in domestic and international copyright matters.

Accomplishments: The Copyright Office completed two significant undertakings under the Digital Millennium Copyright Act (DMCA) of 1998: a rulemaking required by the DMCA relating to exemptions to the prohibition on circumvention of technological measures that control access to a copyrighted work (17 U.S.C. 1201(a)(1)) and a lengthy study on section 104 of the DMCA.

Goal: Continue to improve efficiency and timeliness in registration and recordation processing, including reducing the processing time from receipt to availability of cataloging records via the Internet.

Accomplishments: The Copyright Office began a major Information Technology (IT) Reengineering initiative to implement reengineered processes, deliver improved public services electronically and increase registration and deposit of digital works. The Office created an IT action plan and a new IT management structure to oversee the initiative. In addition, the Copyright Office reduced the registration backlog by 100,000 claims – about 55 percent.

Goal: Conduct a study of business processes to prepare a reengineering plan to provide public services more efficiently and effectively.

Accomplishments: The Copyright Office embarked on an ambitious program of Business Process Reengineering

(BPR) to improve service by achieving better processing times, containing costs, improving security, and using staff and space efficiently. During the year the Copyright Office accepted the BPR implementation plan and took initial steps to implement it.

Goal: Assess the Copyright Office's Internet presence and optimize its Web site's design and usability, including determining ways to educate and assist the public to prepare complete and correct submissions for registration and other services.

Accomplishments: The Copyright Office implemented a new Web-based search engine for copyright databases.

### **Congressional Research Service:**

Goal: Plan for and provide policy analysis, research and information support to Members of Congress and their staff for legislation in the 107<sup>th</sup> Congress.

Accomplishments: Throughout fiscal year 2001, CRS provided the full range of services to assist the Congress as it considered a host of domestic and international public policy issues. CRS provided support on some of the following major issues: agriculture, bankruptcy reform, budget process, campaign finance reform, Congressional oversight, defense transformation, elections, elementary and secondary education, energy policy, immigration, international affairs, medicare and prescription drugs, national missile defense, patient protection., Presidential nominations and appointments, public lands, social security reform, taxation., terrorism, trade, and welfare.

Goal: Continue electronic Web-based support of the Congress through further development of the Legislative Information System (LIS) and the CRS Web.

Accomplishments: A new redesigned CRS Web site was made available to congressional and CRS staff on January 30, 2001. In addition to the Current Legislative Issues feature, other specific improvements included implementing a single search box on the CRS Home Page and introduction of a new navigational structure. In response to Congress' increasing use of online and Web-based sources, CRS launched the Current Legislative Issues system in fiscal year 2001 which organizes CRS products on more than 140 different public policy issues and provides links to relevant CRS analyses. In addition, as part of its program of continuous improvement, the LIS team conducted extensive usability tests and developed a new LIS home page. Additional

improvements include: display of more bills at a time, display of committees in the order of referral, enhanced links to markup reports, highlighting of House committee documents related to particular bills, and improved information about the availability of the text of bills. Finally, in February, 2001, CRS introduced a new secure Web-based system for Members and staff to submit research requests to CRS electronically, 24 hours a day, seven days a week. From February to September 2001, nearly 8,000 research requests were placed by congressional offices via the CRS home page.

### **National Library Service for the Blind and Physically Handicapped:**

Goal: Continue exploration of alternative audio and braille possibilities to the point of identifying a user-friendly, less costly, more efficient, internationally acceptable delivery system through implementation of a digital standard for talking books in the NISO/ANSI process and continued development of braille accessibility on the Internet with the addition of braille magazines.

Accomplishments: NLS completed a four-year collaborative effort, under the auspices of the National Information Standards Organization (NISO), to develop a 130-page national digital talking book standard. NISO voting members will ballot to accept the standard by 2002. In addition, all contractors producing audio books for NLS have been provided a schedule for converting their studios, culminating in 100 percent digital mastering in fiscal year 2004.

### **Management Support Services:**

Goal: Communicate Library resources and coordinate special events.

Accomplishments: On September 8, 2001, the Library and First Lady Laura Bush hosted the first National Book Festival, which drew approximately 30,000 people to the nation's Capitol to meet some sixty authors and illustrators who participated in the event. In addition, the Office of Special Events and Public Programs coordinated a record 493 events, which introduced a number of major corporations and non-profit organizations and thousands of their U.S. and international guests to the Library's collections and resources. The Library also continued during fiscal year 2002 to build the America's Library Web site ([www.AmericasLibrary.gov](http://www.AmericasLibrary.gov)) and worked with the Ad Council on public service campaigns for the Web site.

Goal: Implement, in coordination with the Capitol Police Board and the Architect of the Capitol (AOC), physical security measures including the consolidation of police command centers and implementation of plans for access improvements.

Accomplishments: The Library is proceeding with consolidating its two communications centers in the Madison and Jefferson buildings into one state-of-the-art communication center in the Jefferson Building. After the September 11 attack, Congress approved an additional emergency appropriation of \$2.5 million for the Library - within the \$40 billion emergency appropriation - to pay for emergency communication systems, including construction of an Emergency Management Center, and money for additional Library police overtime.

Goal: Continue to build and maintain the Library's technology infrastructure to support the Library's mission-critical programs into the 21st century, including the Computer Security Plan to safeguard the Library's valuable computer resources and the Disaster Recovery Plan to ensure continuity of computer operations.

Accomplishments: Information Technology Services made significant gains in safeguarding information systems resources. New staff were hired; technical staff developed virtual private network telecommunications services; email filtering software for GroupWise attachments intercepted more than 9,000 potential viruses sent to or from Library workstations; and firewall monitoring was enhanced to adhere more closely to current industry-standard policies and procedures.

Goal: Organize Human Resources Services' delivery, resources, and structure to put customers first.

Accomplishments: Human Resources Services implemented a revised merit selection process and provided Library staff with a wide array of electronic services, most of them available 24 hours a day, seven days a week.

Goal: Continue to implement and develop the Library's facilities plan, including continued coordination with the AOC to implement occupational safety and health requirements and the development of the off-Capitol Hill collections storage and processing facility at Fort Meade, Maryland.

Accomplishments: Based on the fiscal year 2001 portion of the comprehensive agency-wide space plan, the

Library started, continued and completed a number of facility actions and moves. These included the Madison furniture replacement program and the design and outfitting of renovated spaces in the Thomas Jefferson and John Adams buildings. The Library continued to work closely with the AOC and their contractors on the first book storage module at the Fort Meade, Maryland campus.

## **STEWARDSHIP REPORTING**

The standard for stewardship reporting on selected assets classified as "heritage assets" developed by the Federal Accounting Standards Advisory Board (FASAB) is mandatory for fiscal years 2001 and 2000. The standard applies to entities (1) that control stewardship resources and (2) whose financial statements purport to be in accordance with federal accounting principles and standards developed by FASAB and accepted by the principals. All stewardship information is deemed "required supplemental stewardship information."

In fiscal year 1995, the Library, in consensus with its independent auditors, determined its collections were within the stewardship resource classification and prepared its first stewardship report. By beginning in fiscal year 1995, the Library initiated developing a data collection and a trial reporting methodology that lead to fulfilling the objectives of the stewardship reporting standard -- to assist in judging the long-term effectiveness of expenditures for "heritage assets," the results of inputs and outcomes, and the financial impact of sustaining current services.

Consistent with the guidelines provided by FASAB, the Library has prepared its seventh stewardship report on its collections that provides the suggested relevant information concerning the asset description, acquisition, preservation, security, use, estimated number of items, and expenditures. The Stewardship Report is included as Section 3 of this report.

## **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 the statements have been prepared from the books and records of the Library, the statements 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.