The James Madison Council
of the Library of Congress

1996 ANNUAL REPORT

A REVOLUTION IN LEARNING

IN CONGRESS, July 4, 1776.

A DECLARATION

By the REPRESENTATIVES of the UNITED STATES OF AMERICA, IN GENERAL CONGRESS ASSEMBLED.

WHEN in the Course of human Events, it becomes necessary for one People to dissolve the political Bands which have connected them with another, and to assume among the Powers of the Earth, the separate and equal Station to which the Laws of Nature and of Nature's God entitle them, a decent Respect to the Opinions of Mankind requires that they should declare the Causes which impel them to the Separation.

We hold these Truths to be self-evident, that all Men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the Pursuit of Happiness.—That to secure these Rights, Governments are instituted among Men, deriving their just Powers from the Consent of the governed, that whenever any Form of Government becomes destructive of these Ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its Foundation on such Principles, and organizing its Powers in such Form, as to them shall seem most likely to effect their Safety and Happiness. Prudence, indeed, will dictate that Governments long established should not be changed for light and transient Causes; and accordingly all Experience hath shewn, that Mankind are more disposed to suffer, while Evils are sufferable, than to right themselves by abolishing the Forms to which they are accustomed. But when a long Train of Abuses and Usurpations, pursuing invariably the same Object, evinces a Design to reduce them under absolute Despotism, it is their Right, it is their Duty, to throw off such Government, and to provide new Guards for their future Security. Such has been the patient Sufferance of these Colonies; and such is now the Necessity which constrains them to alter their former Systems of Government. The History of the present King of Great Britain is a History of repeated Injuries and Usurpations, all having in direct Object the Establishment of an absolute Tyranny over these States. To prove this, let Facts be submitted to a candid World.

He has refused his Assent to Laws, the most wholsome and necessary for the public Good.

He has forbidden his Governors to pass Laws of immediate and pressing Importance, unless suspended in their Operation till his Assent should be obtained; and when so suspended, he has utterly neglected to attend to them.

He has refused to pass other Laws for the Accommodation of large Districts of People, unless those People would relinquish the Right of Representation in the Legislature, a Right inestimable to them, and formidable to Tyrants only.

He has called together legislative Bodies at Places unusual, uncomfortable, and distant from the Depository of their public Records, for the sole Purpose of fatiguing them into Compliance with his Measures.

He has dissolved Representative Houses repeatedly, for opposing with manly Firmness his Invasions on the Rights of the People.

He has refused for a long Time, after such Dissolutions, to cause others to be elected; whereby the legislative Powers, incapable of Annihilation, have returned to the People at large for their exercise; the State remaining in the mean Time exposed to all the Dangers of Invasion from Without, and Convulsions within.

He has endeavoured to prevent the Population of these States; for that Purpose obstructing the Laws for Naturalization of Foreigners; refusing to pass others to encourage their Migrations hither, and raising the Conditions of new Appropriations of Lands.

He has obstructed the Administration of Justice, by refusing his Assent to Laws for establishing judiciary Powers.

He has made Judges dependent on his Will alone, for the Tenure of their Offices, and the Amount and Payment of their Salaries.

He has erected a Multitude of new Offices, and sent hither Swarms of Officers to harass our People, and eat out their Substance.

our Constitution, and unacknowledged by our Laws; given his Assent to their Acts of pretended Legislation.

For quartering large Bodies of armed Troops among us:

For protecting them, by a mock Trial, from Punishment for any Murders which they should commit on the Inhabitants of these States:

For cutting off our Trade with all Parts of the World:

For imposing Taxes on us without our Consent:

For depriving us, in many Cases, of the Benefits of Trial by Jury:

For transporting us beyond Seas to be tried for pretended Offences:

For abolishing the free System of English Laws in a neighbouring Province, establishing therein an arbitrary Government, and enlarging its Boundaries, so as to render it at once an Example and fit Instrument for introducing the same absolute Rule into these Colonies:

For taking away our Charters, abolishing our most valuable Laws, and altering fundamentally the Forms of our Governments:

For suspending our own Legislatures, and declaring themselves invested with Power to legislate for us in all Cases whatsoever.

He has abdicated Government here, by declaring us out of his Protection and waging War against us.

He has plundered our Seas, ravaged our Coasts, burnt our Towns, and destroyed the Lives of our People.

He is, at this Time, transporting large Armies of foreign Mercenaries to compleat the Works of Death, Desolation and Tyranny, already begun with Circumstances of Cruelty and Perfidy, scarcely paralleled in the most barbarous Ages, and totally unworthy the Head of a civilized Nation.

He has constrained our fellow Citizens taken Captive on the high Seas to bear Arms against their Country, to become the Executioners of their Friends and Brethren, or to fall themselves by their Hands.

He has excited domestic Insurrections amongst us, and has endeavoured to bring on the Inhabitants of our Frontiers, the merciless Indian Savages, whose known Rule of Warfare, is an undistinguished Destruction of all Ages, Sexes and Conditions.

In every Stage of these Oppressions we have petitioned for Redress, in the most humble Terms: Our repeated Petitions have been answered only by repeated Injury. A Prince, whose Character is thus marked by every Act which may define a Tyrant, is unfit to be the Ruler of a free People.

Nor have we been wanting in Attentions to our British Brethren. We have warned them from Time to Time of Attempts by their Legislature to extend an unwarrantable Jurisdiction over us. We have reminded them of the Circumstances of our Emigration and Settlement here. We have appealed to their native Justice and Magnanimity, and we have conjured them by the Ties of our common Kindred to disavow these Usurpations, which would inevitably interrupt our Connections and Correspondence. They too have been deaf to the Voice of Justice and of Consanguinity. We must, therefore, acquiesce in the Necessity which denounces our Separation, and hold them, as we hold the rest of Mankind, Enemies in War, in Peace, Friends.

We, therefore, the Representatives of the UNITED STATES OF AMERICA, in General Congress assembled, appealing to the Supreme Judge of the World for the Rectitude of our Intentions, do, in the Name and by the Authority of the good People of these Colonies, solemnly Publish and Declare, That these United Colonies are, and of Right ought to be, FREE AND INDEPENDENT STATES; that they are absolved from all Allegiance to the British Crown, and that all political Connection between them and the State of Great-Britain, is and ought to be totally dissolved; and that as FREE AND INDEPENDENT STATES, they have full Power to levy War, conclude Peace,

Founding Membership

March 15, 1997

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Mr. & Mrs. Sidney S. Zlotnick
Washington, DC

1996 Financial Statements

Statement of Financial Position
James Madison National Council Fund

September 30, 1996

ASSETS	
Cash	$ 125,722
Investments: (Note 2)	
U.S. Treasury Market Based Securities	1,775,228
U.S. Treasury Permanent Loan	71,280
Non-U.S. Treasury Securities	504,523
Total investments	2,351,031
Receivables:	
Pledges (Note 3)	734,563
Accrued interest	23,391
Intra-library	18,000
Other	2,000
Total receivables	777,954
Total assets	$ 3,254,707
LIABILITIES	
Accounts payable	$ 62,025
Accrued payroll and annual leave	13,228
Total liabilities	75,253
NET POSITION	
Cumulative results of operations (Note 4):	
Designated	1,712,530
Undesignated	1,466,924
	3,179,454
Total liabilities and net position	$ 3,254,707

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

Statement of Operations & Changes in Net Position
James Madison National Council Fund

For the fiscal year ended September 30, 1996

REVENUES	
Contributions for specific programs	$ 1,441,080
Membership Contributions	771,441
Interest	155,242
Miscellaneous	5,545
Total revenues	2,373,307
EXPENSES	
Books and library materials	1,456,073
Other services	206,577
Professional and consultant services	200,933
Personnel costs	169,732
Entertainment	76,354
Travel and transportation	64,692
Telecommunications cabling	24,800
Printing, publishing, and photoduplicating	20,287
Offset reproduction	11,793
Services of other agencies	10,000
Other	18,468
Total expenses	2,259,709
Excess of revenues over expenses	113,598
Transfer to other funds (Note 5)	(60,000)
Excess of revenues over expenses & transfers	53,598
Net position, beginning of year, as previously reported	2,239,326
Retroactive application of a change in accounting (Note 6)	886,529
Net position, beginning of year, as restated	3,125,855
Net position, end of year	$ 3,179,454

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

Notes to Financial Statements

James Madison National Council Fund

September 30, 1996

Note 1. Reporting Entity

A. DESCRIPTION OF FUND

The James Madison National Council Fund (JMNC Fund) was initiated by the Librarian of Congress, accepted through a poll vote by the Library of Congress Trust Fund Board in July 1989 and reaffirmed October 7, 1989. The purpose of the JMNC Fund is to encourage donations and counsel to promote the Library's collections and programs. A gift of $100,000 from Robert Gwinn, Chairman of the Board of Encyclopaedia Britannica, established the Fund. The JMNC Fund is reported in the Library of Congress gift and trust funds.

The James Madison National Council is an advisory board of business people and philanthropists that contribute ideas, expertise, and financial support to support the Library's collections and programs. The Council is open to persons from the private sector interested in advancing the Library's outreach mission. There are 105 members of the Council.

Significant accounting policies followed by the JMNC Fund are presented below.

B. BASIS OF PRESENTATION

The financial statements are prepared from the Library of Congress' financial management system in accordance with the form and content for entity financial statements specified by the Library's Financial Management Regulations and Directives and the accounting policies summarized herein. The Library provides general administrative support (e.g., indirect personnel, space, financial services) to the JMNC Fund at no cost. Direct personnel costs of Library employees who work on behalf of the JMNC Fund are reflected in the accompanying financial statements.

As a legislative branch agency, the Library of Congress is not required to follow the executive agency accounting principles

established by the Comptroller General under 31 U.S.C. 3511 or the new standards now being 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 budget 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 executive branch reporting requirements in a manner consistent with a legislative agency.

C. BASIS OF ACCOUNTING

The General Accounting Office (GAO), Office of Management and Budget (OMB), and Department of the Treasury established the Federal Accounting Standards Advisory Board (FASAB) for the purpose of considering the recommended accounting principles, standards, and requirements to GAO, Treasury, and OMB. The three principals of FASAB, the Comptroller General, the Secretary of the Treasury, and Director of OMB, decide upon new principles, standards, and requirements after considering FASAB's recommendations. The resulting standards are concurrently issued by GAO and OMB. Pending issuance of a sufficiently comprehensive set of accounting standards, and in accordance with interim guidance agreed to by the three principals, the accompanying financial statements have been prepared in accordance with the following hierarchy of accounting principles and standards which is a comprehensive basis of accounting:

- Individual standards agreed to and published by the Joint Financial Management Improvement Program (JFMIP) principals, GAO, OMB, and the Department of the Treasury;
- Form and content requirements included in OMB Bulletin 94-01, dated November 16, 1993, and subsequent issuances;
- Library of Congress Regulations and Financial Services Directives; and
- Accounting principles published by authoritative standard setting bodies and other authoritative sources (1) in the absence of other guidance in the first three parts of this hierarchy, and (2) if the use of such accounting standards improve the meaningfulness of the financial statements.

Using the above hierarchy, transactions are recorded on an accrual method, where revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

D. CAPITAL ASSETS

The financial statements do not include capital assets which are purchased for the Library of Congress and other funds. Capital assets are expensed when purchased and ownership is transferred to the Library of Congress.

E. INCOME TAX

The JMNC Fund operates for the benefit of the Library of Congress which is an instrument of the United States and, as such, is not subject to income tax.

F. INVESTMENT POLICY

The Library of Congress Trust Fund Board determines the investment policy for the Library's trust funds. The policy provides three options for investment of the JMNC Fund funds:

- a permanent loan with the U.S. Treasury
- a pool of U.S. Treasury market-based securities
- a private investment pool consisting of four stock funds and one money market fund. The funds recommended by the Library of Congress Trust Fund Board's investment committee and approved by the Board are:

- Vanguard Money Market Prime Fund
- CGM Mutual Fund
- Mutual Beacon Fund
- Fidelity Fifty
- Fidelity Stock Selector

Investments in U.S. market-based securities are stated at cost net of any unamortized premium or discount, which approximates market value at September 30, 1996. The permanent loan is an interest bearing investment recorded at cost. These accounts are considered held-to-maturity investments as the Council has the ability and intent to hold these securities.

Stock and money market mutual 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 equity in the statement of financial position (approximately $4,000 at September 30, 1996).

Note 2. Investments

A. U.S. TREASURY

An act of Congress approved March 3, 1925, and subsequently amended, permits up to $10 million of trust funds to be invested with the United States Treasury as a perpetual loan, at a floating interest rate, adjusted monthly, but no less than four percent per annum. At September 30, 1996, $71,280 of JMNC Fund funds were invested in the U.S. Treasury permanent loan at an interest rate of 6.625 percent. Other investments with U.S. Treasury were as follows:

Investment	Non-Marketable, Market Based Government Securities
Cost	$ 1,755,032
Unamortized Premium	$ 24,061
Unrealized Discount	$ 3,865
Net Investment	$ 1,775,228

B. MUTUAL FUNDS

The JMNC Fund invested $500,000 in the mutual fund investment pool in 1996. Market value of the mutual fund pool as of September 30, 1996 totaled $504,523.

Note 3. Pledges

Contributions of unconditional promises to give (pledges) to the JMNC Fund are recognized as revenue in the period received. They are recorded at their present value using a market discount rate. Accretion of the discount in subsequent years is also recorded as revenue. Outstanding pledges of $814,000 at September 30, 1996 were discounted through fiscal year 2001 at a market discount rate and are included in the statement of financial position at their discounted present value of $734,563. The amounts due in future years at their current discounted value are: $469,310 in fiscal 1997; $103,190 in 1998; $82,153 in 1999; $70,764 in 2000; and $9,146 in 2001.

Note 4. Cumulative Results of Operations

A portion of the cumulative results of operations is specifically designated for specific projects and programs. $1,712,530 is designated for projects such as the Library's Bicentennial Celebration, the Permanent Treasures Exhibit, and the American Panoramic Photography Exhibit.

The cumulative results of operations includes undelivered orders of $1,011,468 which are funds that have been obligated for goods and services not yet received for JMNC Fund operations and designated projects.

Note 5. Transfer to Another Fund

The JMNC Fund transferred $60,000 to the DeWitt Wallace Reader's Digest Gift Fund for the film preservation project.

Note 6. Retroactive Application of a Change in Accounting

In 1996, the JMNC Fund adopted the provisions of Statement of Financial Accounting Standards No. 116 "Accounting for Contributions Received and Contributions Made" relating to the timing of recognition of revenue from donations. Previously, contributions were recorded when received. The new method of accounting calls for recording revenue from contributions when unconditional promises to give are received. The new method of accounting was applied retroactively by restating beginning of the year net position by $886,529.

Independent Auditors' Report

KPMG Peat Marwick LLP

The Steering Committee
James Madison National Council Fund

We have audited the 1996 financial statements of the James Madison National Council Fund (JMNC Fund). The objective of our audit was to express an opinion on the fair presentation of the JMNC Fund's financial statements. In connection with our audit we also considered the JMNC Fund's internal control and tested the JMNC Fund's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

In our opinion, the JMNC Fund's 1996 financial statements are presented fairly, in all material respects, in conformity with the comprehensive basis of accounting described in note 1 to the financial statements.

During our consideration of internal control and our tests of compliance with certain laws and regulations, we noted:

- No material weaknesses in internal control
- No instances of non-compliance with selected provisions of applicable laws and regulations tested

Our opinion on the JMNC Fund's financial statements, our consideration of internal control, our tests of the JMNC Fund's compliance with certain laws and regulations, and our responsibilities are discussed in the remainder of our report.

OPINION ON FINANCIAL STATEMENTS

We have audited the accompanying statement of financial position of the JMNC Fund as of September 30, 1996, and the related statement of operations and changes in net position for the year then ended. These financial statements are the responsibility of the JMNC Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

In our opinion, the accompanying 1996 financial statements present fairly, in all material respects, the financial position of the JMNC Fund as of September 30, 1996, and the results of its operations for the year then ended, in conformity with the comprehensive basis of accounting described in note 1 to the financial statements.

As discussed in note 6 to the financial statements, in 1996, the JMNC Fund adopted the provisions of Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made,* by retroactive restatement. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained in Schedules A and B is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

INTERNAL CONTROLS

Our consideration of internal control would not necessarily disclose all matters related to internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control elements does not reduce to a relatively low level the risk that errors and irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

COMPLIANCE WITH LAWS AND REGULATIONS

The results of our tests, performed as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, disclosed no instances of noncompliance with selected laws and regulations that are required to be reported herein under *Government Auditing Standards* and the Office of Management and Budget (OMB) Bulletin No. 93-06, *Audit Requirements for Federal Financial Statements.*

RESPONSIBILITIES

Management's Responsibility.
Management is responsible for:

- preparing the financial statements in conformity with the comprehensive basis of accounting described in note 1 to the financial statements;
- maintaining adequate internal control designed to fulfill control objectives; and
- complying with applicable laws and regulations.

In fulfilling these responsibilities, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that:

(1) transactions are properly recorded and accounted for to permit the preparation of reliable financial statements and to maintain accountability over assets;
(2) funds, property, and other assets are safeguarded from unauthorized use or disposition; and
(3) transactions, including those related to obligations and costs, are executed in compliance with laws and regulations that could have a direct and material effect on the financial statements.

Auditors' Responsibility.

Our responsibility is to express an opinion on the financial statements of the JMNC Fund. We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards,* issued by the Comptroller General of the United States; and applicable portions of OMB Bulletin No. 93-06. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and presented fairly in accordance with generally accepted accounting principles. We believe that our audit provides a reasonable basis for our opinion.

In planning and performing our audit of the financial statements of the JMNC Fund, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of JMNC Fund's compliance with certain provisions of laws and regulations. However, the objective of our audit of the financial statements, including our tests of compliance with certain provisions of applicable laws and regulations, was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

In order to fulfill these responsibilities, we:

- examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessed the accounting principles used and significant estimates made by management;
- evaluated the overall financial statement presentation;
- obtained an understanding of the design of significant internal controls, determined whether they have been placed in operation, assessed control risk, and performed tests of the internal controls; and
- tested compliance with certain provisions of laws and regulations that have a direct and material effect on the financial statements.

Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected. Also, controls found to be functioning at a point in time may later be found deficient because of the performance of those responsible for applying them, and there can be no assurance that controls currently in existence will prove to be adequate in the future as changes take place in the organization.

This report is intended solely for the use of the the JMNC Fund Steering Committee. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

March 7, 1997
Washington, D.C.

Supplemental Information

James Madison National Council Fund

Schedule A.
Schedule of Designations and Funding for Outreach Programs

JMNC FUND DESIGNATIONS	
Designations, beginning of fiscal year	$ 1,474,500
Designations, during the fiscal year *	2,220,153
Total designations	3,694,653

FUNDING	
JMNC Fund projects and program expense	741,723
Members' specific projects expense	1,180,400
Transferred to other funds for specific projects	60,000
Total funding	1,982,123
Net designations, end of fiscal year	**$ 1,712,530**

* $1,449,153 as designations and $771,000 as JMNC Fund commitments.

Schedule B.
Schedule of Expenditures

	JMNC Fund Projects and Programs	Members' Specific Projects	Operations	Total
Personnel costs	$ 30,728	$ 13,081	$ 125,923	$ 169,732
Professional and consultant services	95,224	65,588	40,121	200,933
Books and library materials	518,998	935,553	1,522	1,456,073
Other services	15,045	141,637	49,895	206,577
Travel & transportation & subsistence/support persons	42,972	3,587	18,133	64,692
Entertainment	4,189	13,884	58,281	76,354
Printing, publishing, and photoduplicating	19,007	1,280	—	20,287
Supplies, materials, and subscriptions	1,223	—	2,431	3,654
Offset reproduction	8,944	238	2,611	11,793
Tuition and training	150	—	940	1,090
Telecommunications cabling	—	—	24,800	24,800
Services of other agencies	—	—	10,000	10,000
Graphic/Design services	5,230	—	2,749	7,979
Equipment	—	4,010	—	4,010
Computer software	—	1,542	—	1,542
Long distance telephone	13	—	180	193
Totals	$ 741,723	$ 1,180,400	$ 337,586	$ 2,259,709