

**JAMES MADISON NATIONAL COUNCIL FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2000**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT  
ACCOUNTING PRINCIPLES**

**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. A gift of \$100,000 from Robert Gwinn, Chairman of the Board of Encyclopedia 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 103 members of the Council.

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

**B. BASIS OF ACCOUNTING AND PRESENTATION**

The Fund's financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

The Fund adopted financial reporting standards applicable to not-for-profit organizations. The financial statements are prepared in accordance with Financial Accounting Standards No. 117, and recognizes net assets based on the existence of applicable restrictions limiting their use.

Temporarily restricted net assets result from donor-imposed restrictions that permit the Fund to use or expend the assets after the restriction has been satisfied. When a donor-imposed restriction is satisfied, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unrestricted net assets result from the receipt of unrestricted contributions, the expiration of donor-imposed restrictions on contributions, and changes in other assets and liabilities. These assets are available to the Fund for use in support of current and future operations. The Library of Congress provides support services to the James Madison National Council. The cost of these services are, by their nature, indirect, difficult to quantify, and financed with appropriated funds of the Library. To the extent that these services are provided, they are not considered operating expenses of the James Madison National Council.

**C. USE OF ESTIMATES**

The preparation of the Fund s financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

#### **D. CONTRIBUTIONS AND REVENUE RECOGNITION**

The Fund records as contribution revenue amounts received in the form of cash, promises or pledges to give. Unconditional promises or pledges to give are recognized as a contribution receivable. Multi year pledges or promises due over a period of time are discounted to their present value, based upon prevailing interest rates, and recognized in the period of initial pledge.

#### **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 five 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
  - ! Fidelity Fifty Fund
  - ! Fidelity Stock Selector
  - ! Vanguard Total Stock Market Index Fund
  - ! Vanguard 500 Index Fund
  - ! RS The Emerging Growth Fund

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, 2000. The permanent loan is an interest bearing par value investment which equals the market value. Stock and money market mutual funds are stated at current market value.

## **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, 2000, \$561,787 of JMNC Fund funds were invested in the U.S. Treasury permanent loan at an interest rate of five percent. Other investments with U.S. Treasury were as follows:

Investment	Par	Unamortized Premium	Unamortized Discount	Amortized Cost
Non-Marketable, Market Based Government Securities	\$3,902,357	\$ 63,758	\$ (12,202)	\$3,953,913

## B. MUTUAL FUNDS

The JMNC Fund invested \$500,000 in the growth and income pool (non-Treasury mutual fund investments) in 1996. Market value of the growth and income pool as of September 30, 2000, totaled \$779,721.

The net gain on investments of \$116,374 consists of the following: \$55,319 realized gain of mutual fund capital gains distributions; \$15,753 realized gain of money market dividends and \$45,302 unrealized gain on the growth and income pool.

## 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 contribution revenue. Outstanding pledges of \$1,090,000 at September 30, 2000 were discounted through fiscal 2002 at a market discount rate and are included in the statement of financial position at their discounted present value of \$974,677. The amounts due in future years at their current discounted value are: \$75,272 in fiscal 2001; \$899,405 in fiscal 2002.

## NOTE 4 - NET ASSETS

The JMNC Net Assets of \$6,321,903 is classified as Unrestricted-Undesignated, Unrestricted-Council Designated for Projects or Temporarily Donor Restricted for Projects. Of this total amount, \$3,320,607 is classified as Unrestricted-Undesignated. The balance of \$3,001,296 consisting of \$495,707 (Unrestricted-Council Designated for Projects) and \$2,505,589 (Temporarily Donor Restricted for Projects) is earmarked for initiatives such as the Permanent Treasures Exhibit, Illustrated Guides to the Special Collections and special acquisitions.

Ending Net Assets includes undelivered orders of \$548,551 which are funds that have been obligated for goods and services not yet received for JMNC Fund operations and designated projects.

**NOTE 5 - IMPUTED FINANCING FOR COST SUBSIDIES**

An adjustment of \$18,689 was recorded as an imputed financing source and a corresponding expense in the accompanying financial statements. This adjustment recognizes the full cost of pensions and other health and life insurance benefits during the employees s active years of service.

**NOTE 6 - TRANSFER TO OTHER FUNDS**

The JMNC Fund transferred \$90,000 to the Clapp Fund, a gift revolving fund of the Publishing Office of the Library of Congress, to cover the cost of publication of a book featuring the more than 200 initiatives supported by the Council in conjunction with the Madison Council s tenth anniversary.

**NOTE 7 - EXPENSES BY FUNCTIONAL CLASSIFICATION**

As permitted by SFAS No. 117, the Library has elected to present its operating expenses by natural classification in its Statements of Activities for the period ending September 30, 2000. The functional breakdown of these expenses is as follows (see Schedule B):

Fiscal Year 2000 Expenses by Functional Classification

	<u>Amount</u>
JMNC Fund Projects and Programs	\$ 207,118
Members Specific Projects	2,298,459
Operations	<u>928,312</u>
Total Expenses	<u>\$ 3,433,889</u>

**NOTE 8 - RETIREMENT PLANS**

Employees of JMNC Fund participate in two different retirement plans. Civil Service employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). FERS is the system in effect for most employees hired after December 31, 1983.

In fiscal 2000, the JMNC Fund paid approximately \$25,751 to fund retirement benefits, excluding FICA taxes.

This information is an integral part of the accompanying financial statements.