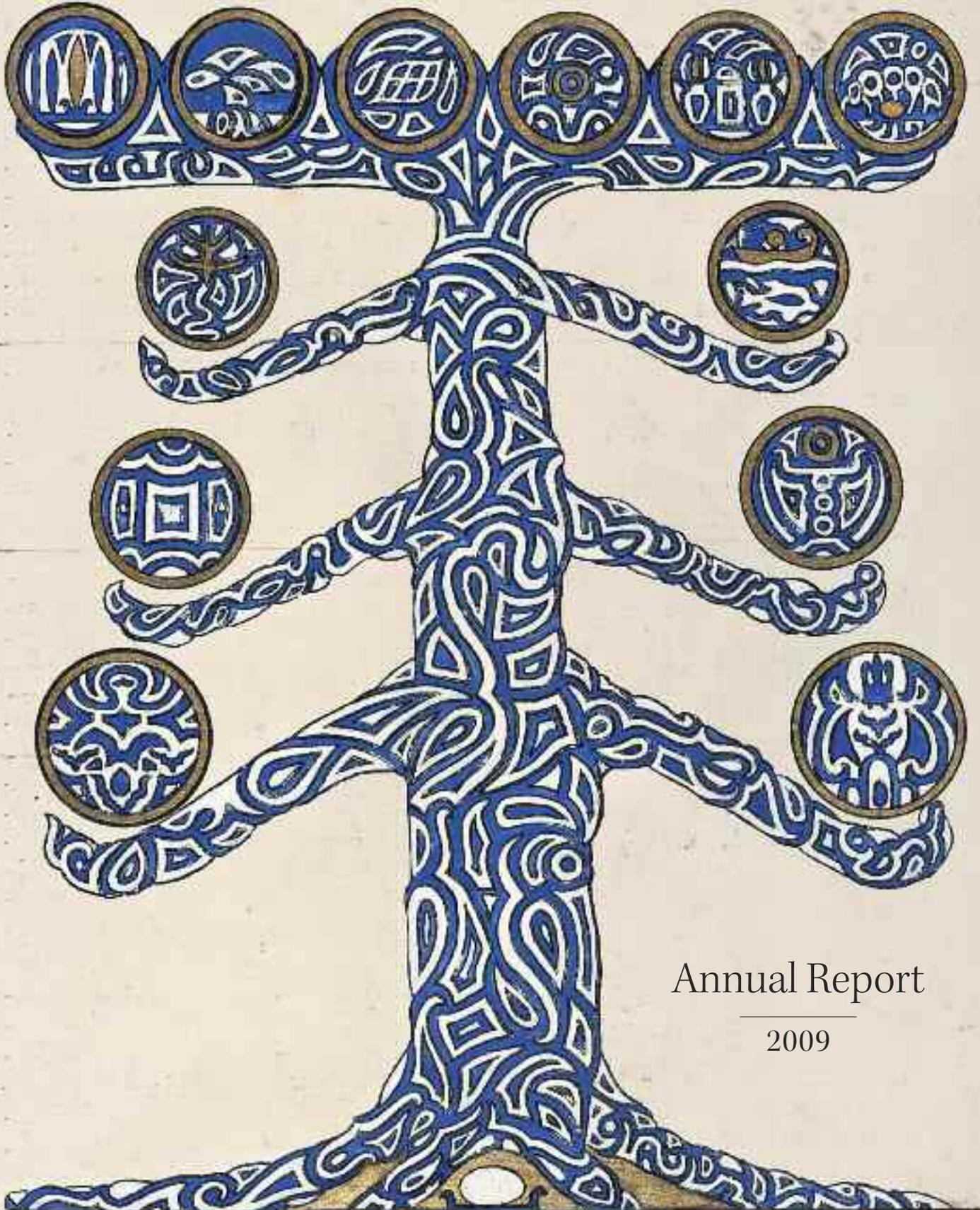


Was frucht uns macht: i wir woll nicht kumpfen. wir woll leb/ wir woll des licht v die wärme v darum be-
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lichtes v deine wärme. em soß-loß geist wurd z schmarotze di körpers. do gott abnährt d geist.



Annual Report
2009

Financial Statements

James Madison
National Council Fund
September 30, 2009

Statement of Financial Position

ASSETS

Cash	\$ 82,506
Investments: (Note 2)	
U.S. Treasury Market Based Securities	3,338,942
Growth and Income Pool	660,947
Total investments	<u>3,999,889</u>
Receivables:	
Pledges (Note 3)	<u>879,759</u>
Property, Plant and Equipment (Note 4)	<u>160,073</u>
Total assets	<u>\$ 5,122,227</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 31,511
Accrued payroll and annual leave	48,482
Total liabilities	<u>79,993</u>

Net assets (Note 5)

Unrestricted-Undesignated	2,219,771
Unrestricted-Council designated for projects	114,037
Temporarily donor restricted for projects	<u>2,708,426</u>
Total net assets	<u>5,042,234</u>

Total liabilities and net assets **\$ 5,122,227**

These financial statements should be read only in connection with the accompanying notes to financial statements.

Statement of Activities

CHANGES IN UNRESTRICTED NET ASSETS

Revenues

Membership contributions	\$ 901,797
Miscellaneous gifts	5,356
Interest	17,216
Net unrealized gain/loss and realized gain on investments (Note 2)	(42,501)
Imputed financing for cost subsidies (Note 6)	38,468
Dividends	11,881
Royalties	76
Net assets released from restrictions	429,902
Total revenues	1,362,193

Expenses (see Schedule B)

Personnel costs	644,365
Travel and transportation and subsistence/support persons	76,783
Other services	131,162
Books and library materials	364,203
Exhibit opening events, receptions, and Madison Council meetings	174,090
Contractual and personnel services	230,979
Office supplies, printing and materials	32,285
Total expenses	1,653,867
Increase/decrease in unrestricted net assets	(291,674)

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions	395,963
Temporarily restricted donations	655
Net assets released from restrictions	(429,902)
Increase/decrease in temporarily restricted net assets	(33,284)
Decrease in net assets	(324,958)
Net assets at beginning of year	5,367,192
Net assets at end of year	\$ 5,042,234

These financial statements should be read only in connection with the accompanying notes to financial statements.

Statement of Cash Flows

Cash flows from operating activities:

Donations Received	\$ 1,315,070
Interest Received	27,182
Cash paid to others	(1,214,385)
Cash paid to employees	(611,269)
Net cash provided by (used by) operating activities	\$ (483,402)

Cash flows from investing activities:

Investment in U.S. Treasury Market Based Securities	\$ (2,570,961)
Redemption of Investment in U.S. Treasury Market Based Securities	3,254,111
Purchases of Plant, Property, & Equipment	(160,073)
Net cash provided by (used by) investing activities	\$ 523,077

Net Increase (decrease) in Cash	39,675
Cash at beginning of year	42,831
Cash at end of year	\$ 82,506

Reconciliation of Changes in Net Assets to Net Cash From Operating Activities

Change in Net Assets	\$ (324,958)
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Adjustments to reconcile changes in net assets to net cash provided from operating activities

Non-cash loss on mutual fund investments	42,501
Decrease in investment discount	9,966
Increase in pledges receivable	(655)
Decrease in accrued payroll and annual leave	(5,372)
Decrease in accounts receivable	75
Decrease in accounts payable	(204,959)
Total Adjustments	(158,444)

Net Cash provided by (used by) Operating Activities	\$ (483,402)
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These financial statements should be read only in connection with the accompanying notes to financial statements.

Notes to Financial Statements

James Madison National Council Fund | September 30, 2009

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 backing 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.

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 Institutional Index Fund
 - Vanguard Capital Opportunity Fund
 - Fidelity Blue Chip Growth Fund
 - Fidelity Capitol Appreciation Fund
 - Fidelity Growth Company Fund
 - Fidelity Dividend 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, 2009. 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. Other investments with U.S. Treasury were as follows:

Investment	Par	Unamortized Premium	Unamortized Discount	Amortized Cost
Non-Marketable, Market Based Government Securities	\$3,338,328	\$ 0	\$ (614)	\$3,338,942

B. Mutual Funds

The JMNC Fund invested \$500,000 in the growth and income pool (non-Treasury mutual fund investments) in 1996 and has reinvested capital gains distributions and dividends since then. Market value of the growth and income pool as of September 30, 2009, totaled \$660,947.

The net loss on investments of \$42,501 consists of the following: \$965 realized gain of mutual fund capital gains distributions and \$43,466 unrealized loss on the growth and income pool.

NOTE 3 | PLEDGES

Contributions of unconditional promises to give (pledges) to the JMNC Fund are recognized as temporarily restricted 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 \$1,134,040 at September 30, 2009, were discounted through fiscal year 2018 at a market discount rate and are included in the statement of financial position at their discounted present value of \$879,834. The amounts due in future years at their current discounted value are: \$44,493 in fiscal year 2010; \$43,862 in 2011; \$42,880 in 2012; and \$748,600 in fiscal year 2018. The Library regularly monitors the status of all pledges and adjusts accordingly; therefore no allowance for uncollectible pledges has been established.

NOTE 4 | PROPERTY, PLANT, & EQUIPMENT

Property, plant, & equipment of \$160,073 represents design services for exhibit space in the Jefferson Building that are being paid for by the Madison Council. The Library occasionally acquires property and equipment by direct gift or by purchase from funds donated for a specific purpose or project. Because property is generally not restricted for use to gift and trust activities, capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and TFB funds and transferred to the Library's appropriated fund, once the costs are complete and the property is placed in service. The work is not yet complete and will likely transfer to the Library's appropriated funds in fiscal year 2010.

NOTE 5 | NET ASSETS

The JMNC Net Assets of \$5,042,234 are classified as Unrestricted-Undesignated, Unrestricted-Council Designated for Projects or Temporarily Donor Restricted for Projects. Of this total amount, \$2,219,771 is classified as Unrestricted-Undesignated. The balance

of \$2,822,464 consisting of \$114,037 (Unrestricted-Council Designated for Projects) and \$2,708,426 (Temporarily Donor Restricted for Projects) is earmarked for initiatives such as the purchase of special acquisitions including overseas rare publications, funding for the new Children's Reading Room, support of the National Book Festival with President and Mrs. Obama as honorary chairs, the Junior Fellows Summer Internship Program, the addition of materials to the World Digital Library website, the support of the Carl Jung Exhibition, the National Educational Center and an amount that is restricted to be used at the discretion of the Librarian of Congress for projects that arise that do not have funding or the time horizon to raise money for the project.

Ending Net Assets includes undelivered orders of \$284,199 which are funds that have been obligated for budgetary purposes, for goods and services not yet received for JMNC Fund operations and designated projects.

NOTE 6 | IMPUTED FINANCING FOR COST SUBSIDIES

An adjustment of \$38,463 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 incurred by the Office of Personnel Management during the employees' active years of service.

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, 2009. The functional breakdown of these expenses is as follows (see Schedule B):

Fiscal Year 2009 Expenses by Functional Classification	Amount
JMNC Fund Projects and Programs	\$ 235,518
Members' Specific Projects	429,902
Supporting Activities — Fundraising	988,447
Total Expenses	\$1,653,867

NOTE 7 | 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 year 2009, the JMNC Fund paid approximately \$62,434 to fund retirement benefits, excluding FICA taxes.

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

Independent Auditor's Report

Steering Committee | James Madison National Council Fund



We have audited the accompanying Statement of Financial Position of the James Madison National Council Fund (the Fund) as of September 30, 2009, and the related statements of activities and cash flows (hereinafter referred to as the financial statements) for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.



LIBRARY OF CONGRESS

March 29, 2010

To the Steering Committee
James Madison National Council Fund

We contracted with the independent public accounting firm of Kearney & Company to audit the Fund's financial statements. The firm is responsible for the attached auditor's report and the opinion and conclusions expressed in that report.

We reviewed Kearney & Company's report and related documentation. Our review was not intended to enable us to express, and we do not express, an opinion on the Fund's financial statements, conclusions on internal control, or compliance with laws and regulations. Our review disclosed no instances in which Kearney & Company did not materially comply with U.S. generally accepted government auditing standards.

Karl W. Schornagel
Inspector General

SUMMARY

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

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

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

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

OPINION ON THE FINANCIAL STATEMENTS

We have audited the accompanying Statement of Financial Position of the Fund as of September 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2009, and its activities and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph. The information contained in Schedules A and B is not a required part of the Fund's financial statements. Such information is subject to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Fund's internal control over financial reporting by obtaining an understanding of the design effectiveness of the Fund's internal controls, determining whether these controls had been placed in operation, assessing control risk, and performing tests of the Fund's controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide an opinion on the internal controls. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal controls over financial reporting and compliance.

We limited our control testing to those controls necessary to achieve the following OMB control objectives that provide reasonable, but not absolute, assurance that: 1) transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; 2) transactions are executed in compliance with laws governing the use of budget authority, government-wide policies and laws identified in Appendix E of OMB Bulletin No. 07-04, and other laws and regulations that could have a direct and material effect on financial statements. We did not test all internal controls relevant to the operating objectives broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Fund's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Fund's financial statements that is more than inconsequential will not be prevented or detected by the Fund's internal controls.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of the Fund's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to these provisions, and did not test compliance with all laws and regulations applicable to the Fund. However, providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

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

This report is intended solely for the information and use of the Steering Committee, the Fund's management, and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.



March 4, 2010
Alexandria, Virginia

Supplemental Information

James Madison National Council Fund | September 30, 2009

SCHEDULE A

Schedule of Net Assets Available for Designation

Total Net Assets	\$ 5,042,234
Net assets restricted by donors for projects	<u>(2,708,426)</u>
Net assets designated by the Council for projects	<u>(114,037)</u>
Total restricted or designated net assets	<u>(2,822,463)</u>
Net Assets Available for Designation	<u>\$ 2,219,771</u>

SCHEDULE B

Schedule of Expenditures

	Fund Projects and Programs	Members' Specific Projects	Supporting Activities— Fundraising	Total
Personnel costs	\$ 93,172	\$ 11,023	\$ 540,170	\$ 644,365
Travel and transportation and subsistence/support persons	12	10,436	66,335	76,783
Other services	0	30,000	101,162	131,162
Books and library materials	52,264	311,939	0	364,203
Exhibit Opening Events, Receptions, and Madison Council Meetings	2,050	698	171,343	174,090
Contractual and personnel services	88,020	65,495	77,464	230,979
Office supplies, printing and materials	0	311	31,973	32,285
Totals	<u>\$ 235,518</u>	<u>\$ 429,902</u>	<u>\$ 988,447</u>	<u>\$ 1,653,867</u>

