

FINANCIAL STATEMENTS

FISCAL 2011





THE LIBRARIAN OF CONGRESS

The President of the Senate
The Speaker of the House of Representatives

Mr. President and Mr. Speaker:

It is my pleasure to submit to you the Library's fiscal year 2011 financial statements and accompanying opinion of the independent auditors, CliftonLarsonAllen LLP. For the sixteenth consecutive year, the independent auditors have issued an unqualified "clean" opinion of the Library's consolidated financial statements.

The net cost of the Library's six major programs totals \$778 million, including \$101.5 million in costs incurred by five other agencies (i.e., Architect of the Capitol, Government Printing Office, United States Capitol Police, Office of Personnel Management, and U.S. Treasury) in support of the Library's programs. The net cost also includes \$129.7 million in earned revenue from copyright registration fees, cataloging distribution sales, and other fee-based and reimbursable programs.

I am prepared to respond to any questions you may have on the 2011 financial statements and auditors' opinion.

Sincerely,

A handwritten signature in black ink that reads "James H. Billington".

James H. Billington
The Librarian of Congress

THE LIBRARY OF CONGRESS
Financial Statements for Fiscal Year 2011

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THE LIBRARY OF CONGRESS

Management's Discussion and Analysis

Fiscal Year Ended September 30, 2011

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 2011.

The Library of Congress and Its Mission

The Library of Congress, an agency in the legislative branch of the government, is the world's largest and most comprehensive library, managing 92 collections – many of them having unique and irreplaceable items – in more than 470 languages. It directly serves not only the Congress, but also the entire nation with the most important commodity of our time: information.

The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

Strategic Plan

The Strategic Plan contains five discrete institution-wide strategic goals:

- Provide authoritative research, analysis, and information to the Congress
- Acquire, preserve, and provide access to a universal collection of knowledge and the record of America's creativity.
- Sustain an effective national copyright system.
- Lead and work collaboratively with external communities.
- Manage proactively for demonstrable results.

Through its Strategic Plan, the Library of Congress charts a course for achieving measurable results and codifies its accountability to the American public and their elected representatives.

The strategic plan's goals set broad outcomes to which each of the Library's major organizations relates. It also establishes broad strategies to be followed and define performance indicators to determine progress toward achieving the goals and outcomes. Supported by a rigorous annual program performance planning process, and regular program performance assessment reviews, the strategic plan ensures Library organizations are all working toward common ends and provides the background for the Library's annual Congressional Budget Justification.

During fiscal year 2010 the Library worked to revise the Library's Strategic Plan. Along with a new mission and more intuitive structure, the plan includes result statements and related annual objectives that were implemented in fiscal year 2011.

Brief History

At the dawn of the 19th century, the American Republic was still little more than a bold experiment. Barely a decade removed from the establishment of constitutional democracy, our lasting future as a nation was not yet assured and our national character was only beginning to emerge.

It was in this context that the U.S. Congress created what would become one of the greatest and most distinct American institutions. Mindful of the link between an informed people and functional governance, the Congress in

1800 established the Library of Congress by appropriating \$5,000 to purchase a collection of 740 books and three maps.

President Thomas Jefferson would make early and indelible contributions to the growing Library, signing a law in 1802 defining the institution's roles and functions, creating the first joint congressional committee (the Joint Committee on the Library) and establishing the position of Librarian of Congress.

After the British burned the Capitol during the War of 1812, destroying the Library's collection of some 3,000 volumes, it was Jefferson who again helped ensure that the Library of Congress would endure as a central contributor to American democracy, culture and intellect. Accepting the now-retired president's offer to "recommence" the Library, in 1815 the Congress purchased Jefferson's 6,487-volume personal collection (then the finest in America) at a price of \$23,950. It contained books in many languages and on a wide variety of topics, reflecting Jefferson's belief that there was "no subject to which a Member of Congress might not have occasion to refer."

While its origins were humble, six key milestones in the Library's early decades significantly expanded its scope and reach:

- The establishment of the Law Library in 1832 as the first department of the Library of Congress recalled the Library's origins as a collection of law books to support the legislative work of the Congress. The Law Library remains the primary source for the Congress for research and reference services in foreign, comparative, and international law.
- The Copyright Act of 1870 centralized the nation's copyright functions in the Library and stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of music registered for copyright in the United States be deposited in the Library. The law reflected Jefferson's aspirations for the Library as a universal repository of knowledge.
- In 1886, the Congress authorized the first separate Library of Congress building to contain openly accessible reading rooms and exhibition space for the general public. In 1897, the Thomas Jefferson Building opened to the public.
- In 1902, the Congress authorized the Library to sell copies of its cataloging records inexpensively to the nation's libraries, thus substantially strengthening the entire American library system.
- In 1914, the Congress created the Legislative Reference Service (LRS) as a separate entity within the Library to provide specialized services to "Congress and committees and Members thereof." Additional laws enhanced its mission in 1946 and 1970, when it was renamed the Congressional Research Service.
- In 1931, the Congress established a program in the Library to create and distribute free library materials to blind and physically handicapped readers throughout the country.

Since the mid-1970s, Congress has statutorily created 10 programs that have further enhanced the Library's national role.

- American Folklife Center (1976)
- American Television and Radio Archives (1976)
- National Center for the Book (1977)
- National Film Preservation Board (1988)
- National Film Preservation Foundation (1996)
- Cooperative Acquisitions Program Revolving Fund (1997)
- Sound Recording Preservation Board and Foundation (2000)
- Three additional revolving funds for fee services (2000)
- National Digital Information Infrastructure and Preservation Program (NDIIPP) (2000)
- Digital Collections and Educational Curricula Program (2005)

The Library of Congress Today

Today, as the Library of Congress advances further into its third century, there is still no more fitting a symbol of its vision and aspirations than the Library's 1897 building that bears Jefferson's name. Constructed as a projection of American optimism near the turn of the 20th century, the Thomas Jefferson Building is resplendent with iconography and written inspirations that describe the Nation's past and inspire those using the Library's collections.

The gilded Torch of Knowledge surmounts the building, while on the underside of the dome, the mural Human Understanding is embodied by a woman removing the veil of ignorance from her eyes. Below the dome is the magnificent Main Reading Room, which was the Library's original means of providing the information that is critical to an informed citizenry.

As the Library of Congress extends its reach in the modern era, an information revolution is empowering not just countries and commerce, but also individuals in the farthest reaches of the globe. Our mission remains the same, but it is more important than ever when set against a landscape of dynamism and intense international competition.

In his June 2005 testimony to Congress, Librarian of Congress James H. Billington said: "Libraries are inherently islands of freedom and antidotes to fanaticism. They are temples of pluralism where books that contradict one another stand peacefully side by side on the shelves, just as intellectual antagonists work peacefully next to each other in reading rooms."

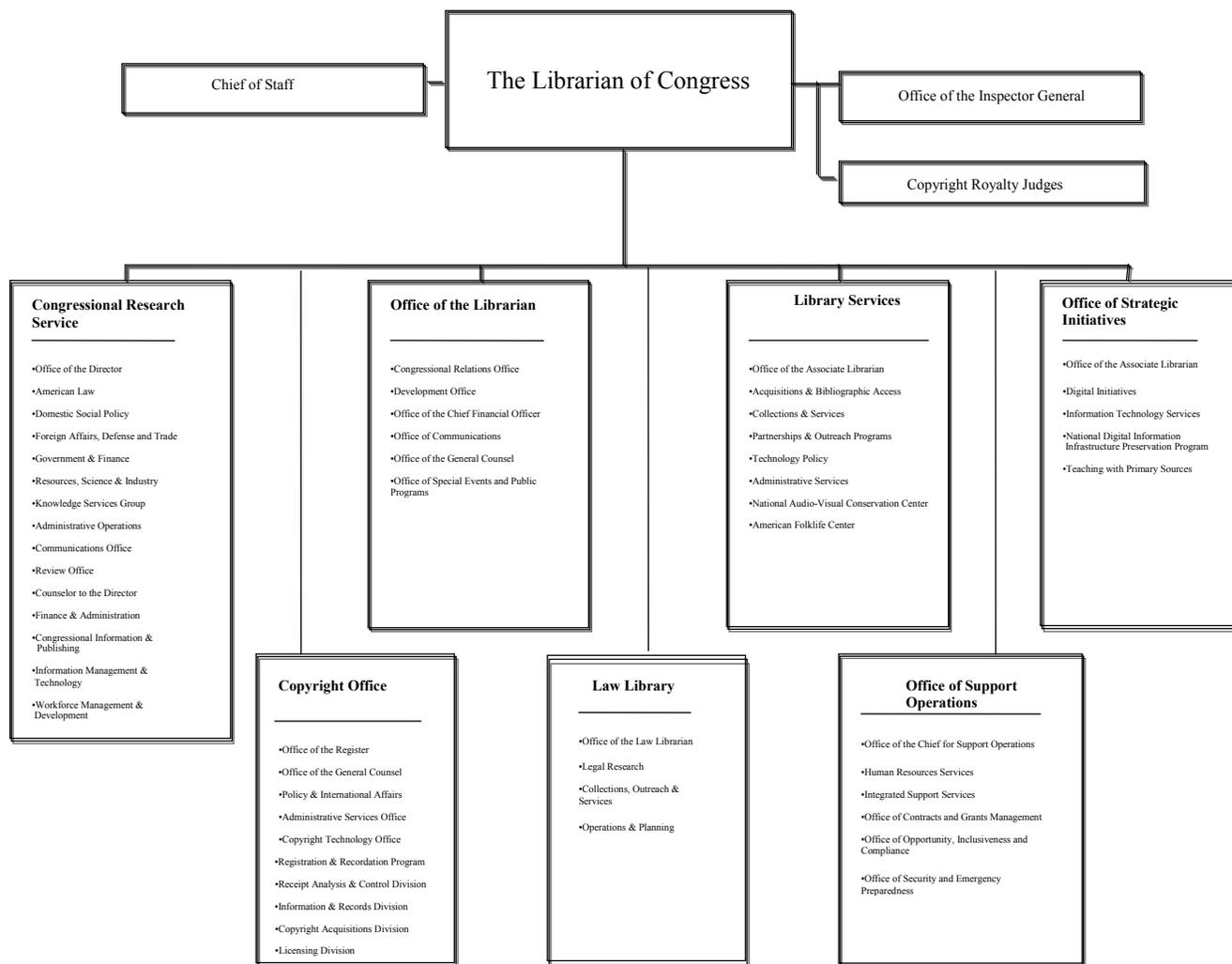
Those words hearken back to the Library's early days and Thomas Jefferson's vision of a society wherein the widest variety of information was readily available to the greatest possible number of people. "I feel ... an ardent desire," Jefferson said, "to see knowledge so disseminated through the mass of mankind that it may, at length, reach even the extremes of society; beggars and kings."

Through its strategic plan, the Library of Congress is accountable to the American public and their elected representatives, and measured by the results that are achieved. We seek to be ardent champions furthering the cause of human understanding and wisdom.

Past, present and future, the Library of Congress endeavors to remain the preeminent repository of information on a global scale, an inspiration to future generations, and a celebrant of achievement.

The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. Seven service units execute the Library's mission (see organizational chart).

The Library's programs and services are primarily funded by four salaries and expenses (S&E) appropriations (the National and Law Library Services, Copyright administration, Congressional Research Service, and Books for the Blind and Physically Handicapped), receipts from offsetting collections (copyright registrations, Cataloging Distribution Service fees and Law Library Global Legal Information Network (GLIN) receipts), revolving fund (business-like) income, donations and investment income.



Library Services includes the National Library Service for the Blind and Physically Handicapped (within Partnerships and Outreach Programs); program costs are reported under the National Library Program.

The Office of Strategic Initiatives includes Information Technology Services; program costs are reported under the National Library Program and infrastructure costs are allocated.

Overview of Financial Statements

For fiscal years 2011 and 2010, the Library has prepared Consolidated Balance Sheets, Consolidated Statements of Net Costs, Consolidated Statements of Changes in Net Position, and Combined Statements of Budgetary Resources.

Consolidated Balance Sheets

The purpose of the consolidated balance sheet is to provide financial statement users with information about the Library's assets, liabilities, and net position as of September 30, 2011 and 2010. In accordance with generally accepted accounting principles for federal government entities, the value of the Library's collections (our largest asset) is not calculated and reported with a monetary value. Instead, the Library reports unit measurement, mission, and acquisition information in the financial statement notes (see Section 2), and provides other relevant information about their use, preservation, security, etc. in supplemental information (see Section 3). The Library's Net Position

consists of: (1) the portion of the Library's appropriations that are unexpended; and (2) the cumulative balances of gift, trust, revolving and reimbursable funds.

(in millions)		
Assets	FY 2011	FY 2010
Entity Assets	\$ 554.7	\$ 578.8
Total Assets	\$ 554.7	\$ 578.8
Liabilities and Net Position	FY 2011	FY 2010
Liabilities Covered by Budgetary Resources	\$ 128.3	\$ 126.4
Liabilities Not Covered by Budgetary Resources	\$ 35.8	35.6
Total Liabilities	\$ 164.1	\$ 162.0
Net Position	390.6	416.8
Total Liabilities and Net Position	\$ 554.7	\$ 578.8

The Library's assets total \$554.7 million for fiscal year 2011 and \$578.8 million for fiscal year 2010. Entity assets decreased by \$24.1 million during fiscal year 2011 primarily due to a decrease in the market value of Library investments and appropriations, and a change in accounting for pledges receivable. The Library's liabilities total \$164.1 million and \$162.0 million for fiscal years 2011 and 2010, respectively. Significant liabilities include funds advanced from other governmental agencies for the Federal Library and Information Network (FEDLINK) and other intra-governmental revolving fund programs and accounts payable for various operating expenses.

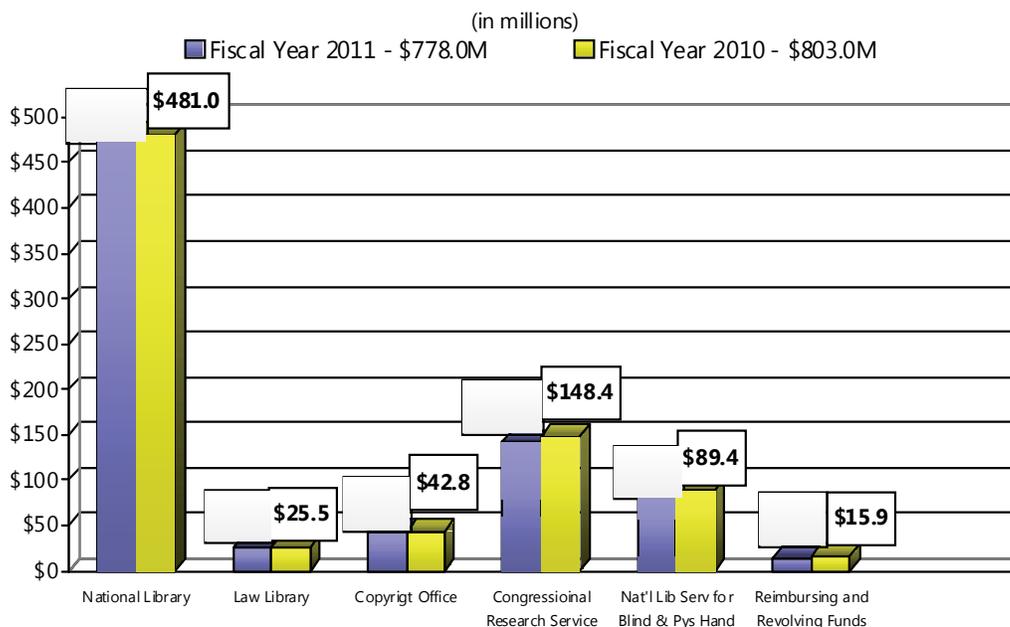
In general, the accompanying Balance Sheets do not include the acquisition and improvement costs of the Library's buildings and grounds. By law, these buildings and grounds are under the structural and mechanical care of the Architect of the Capitol.

Consolidated Statements of Net Costs

The purpose of the Consolidated Statements of Net Costs is to provide financial statement users with information about the costs and earned revenues for the Library's six programs for the fiscal years ended September 30, 2011 and 2010. In other words, the statements present the net costs of our programs \$778.0 million and \$803.0 million for the fiscal years 2011 and 2010, 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:

Consolidated Statement of Net Costs



National Library - With net program costs of \$473.0 million and \$481.0 million for fiscal years 2011 and 2010, respectively, National Library is the Library's largest program and is responsible for the traditional library activities of acquisitions, cataloging, research and reference, and preservation.

National Library manages the following programs and services:

Acquisitions – Each year the Library acquires more than two million new items in all formats for addition to its priceless collections, which are the largest and most wide-ranging of any library in the world. The collections, and the information they contain, are the foundation for the many services the Library provides to the Congress and the nation.

Cataloging – The Library produces bibliographic records, standards, and related products for the Library as well as for libraries and bibliographic utilities in all fifty states and territories and many other countries.

Research and Reference – The Library makes available to scholars and other researchers vast information resources, many of which are unique, covering almost all formats, subjects, and languages. The Library provides reference assistance to researchers and the general public, conducts field research, and promotes the preservation of American culture throughout the United States. The Library responds to nearly 483,000 information requests a year from across the nation, including nearly 162,000 in person in the reading rooms open to the public in Washington. In addition, the Library responds to approximately 58,400 free interlibrary loan requests from across the nation and 35,700 requests for book loans from the Congress each year.

Online Access Services – The Library provides free online access via the Internet to some of its collections and to its automated information files 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, www.copyright.gov), the Library of Congress Online Public Access Catalog (<http://catalog.loc.gov>), and various file transfer options.

American Creativity – The Library manages the nation's largest, most varied, and most important archival collection of American creativity including motion pictures, sound recordings, maps, prints, photographs, manuscripts, music, and folklore covering a wide range of ethnic and geographic communities.

Preservation – The Library manages a continuing program to preserve and extend the life of the diverse materials and formats in the Library's collections. The program provides a full range of prospective and retrospective preservation treatment for hundreds of thousands of items a year; conducts research into new technologies; emphasizes preservation techniques including proper environmental storage and training for emergency situations; conserves and preserves materials; and reformats materials to more stable media. The Library plays a key role in developing national and international standards that support the work of federal, state, and local agencies in preserving the nation's cultural heritage.

Reading Promotion and Outreach – The Library promotes books, reading, and literacy through the Library's Center for the Book, its affiliated centers in 50 states and the District of Columbia, and more than 80 national organizational partners. The Library encourages knowledge and use of its collections through other outreach programs (cable TV, lectures, publications, conferences and symposia, exhibitions, poetry readings – all primarily supported by private funding) and through use of the Library's home page on the World Wide Web. The Library also gives surplus books annually to qualified libraries and nonprofit educational institutions through its nationwide donation program. Finally, the eleventh National Book Festival, expanded to two days, was held on the National Mall on September 24-25, 2011, and set a new attendance record with an estimated 200,000 attendees, many of whom traveled great distances to participate.

Digital Initiatives – The Library oversees and coordinates cross-institutional digital initiatives, including the NDIIPP, thereby ensuring access over time to a rich body of digital content through the establishment of a national network of committed partners, collaborating in a digital preservation architecture with defined roles and responsibilities.

Law Library – The Law Library of Congress, with net program costs of \$25.1 and \$25.5 million for fiscal years 2011 and 2010, respectively, provides direct research service to the Congress in foreign, international, and comparative law. In addition to Members, Committees of the Congress and the Congressional Research Service, the Law Library provides officers of the legislative branch, Justices of the Supreme Court and other judges, members of the Departments of Homeland Security, State and Justice, and myriad other federal agencies with bibliographic and informational services, background papers, comparative legal studies, legal interpretations, expert testimony, and translations of laws and legal documents. The Law Library makes its collections and services available to a diverse community of users, including members of the bench and bar, educational institutions, nongovernmental libraries, legal service organizations, the diplomatic corps, international organizations, the business community, and the general public.

Copyright Office (including the Copyright Royalty Board) – The Copyright Office (COP), with net program costs of \$43.4 million and \$42.8 million for fiscal years 2011 and 2010, respectively, administers the U.S. copyright laws, provides copyright policy analysis to the Congress and executive branch agencies, actively promotes international protection for intellectual property created by U.S. citizens, and provides public information and education on copyright. In fiscal year 2011, the COP registered 670,044 claims to copyright; transferred 706,583 works to the Library; recorded 10,298 documents containing more than 170,000 titles; logged more than 24 million page views on its web site; and responded to 261,807 in-person, telephone and e-mail requests for information. The Copyright Royalty Board (CRB), composed of three Copyright Royalty Judges and their staff under the aegis of the Librarian of Congress, directed distribution of hundreds of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law, and adjusts the royalty rates of these license provisions. Registration fees and authorized deductions from royalty receipts fund almost half of the COP. Copies of works received through the copyright system form the core of the Library's immense Americana collections, which provide the primary record of American creativity.

Congressional Research Service – The Congressional Research Service (CRS), with net program costs of \$141.3 and \$148.4 million for fiscal years 2011 and 2010, respectively, provides non-partisan analytical research and information services to all Members and committees of the Congress. CRS assists the Congress with its deliberations and legislative decisions by providing objective, authoritative, non-partisan, and confidential research and analysis. Serving Congress exclusively, CRS experts work alongside the Congress at all stages of the legislative process and provide integrated and interdisciplinary analysis and insights in all areas of policy interest. CRS support takes the form of reports, tailored confidential memoranda, individual consultations and briefings, and formal seminars.

National Library Service for the Blind and Physically Handicapped (NLS/BPH) – The NLS/BPH, which is part of Library Services, manages a free national reading program for blind and physically handicapped people – circulating approximately 26.7 million items a year at no cost to users. This program consists of three elements:

1. The Library of Congress selects, produces, and contracts for the production of full-length books and magazines in Braille, on recorded disc, and on talking book machines. The NLS/BPH's fiscal years 2011 and 2010 net program costs for this segment were \$80.6 and \$89.4 million, respectively.
2. A cooperating network of 56 regional and 47 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 readership of 586,981 audio and Braille readers registered individually, in addition to 245,136 eligible individuals located in institutions.

Revolving and Reimbursable Funds – Under the authority of 2 U.S.C. 182, the Library operates the Cooperative Acquisitions Program revolving fund, the revolving fund for duplication services associated with the Packard Campus for Audio-Visual Conservation, the revolving fund for gift shop, decimal classification, photo duplication, special events and public programs and related services, and the revolving fund for the Federal Library and Information Network (FEDLINK) program and Federal Research program. 2 U.S.C. 182 was amended in fiscal year 2003 to authorize the Library's special events and programs activities under the revolving fund statute. Through these activities, the Library is able to further its programs dealing with the acquisition of library materials, reader and reference services, and support for public programs. The Library also provides reimbursable accounting services for five legislative agencies under cross-servicing agreements (i.e., the Congressional Budget Office, the Office of Compliance, the Abraham Lincoln Bicentennial Commission, the Open World Leadership Center, and the United States Capitol Police).

After reflecting earned revenues of \$92.6 and \$94.3 million in fiscal years 2011 and 2010, respectively, reimbursable and revolving fund net program costs totaled \$14.5 and \$15.9 million, respectively. The net program costs were the result of the elimination of \$6.3 and \$7.3 million of intra-Library net revenues, \$9.5 and \$9.0 million in allocated administrative overhead, \$1.7 and \$2.2 million in imputed inter-governmental costs (e.g., employee benefits) not recovered by fees charged by the revolving funds for fiscal years 2011 and 2010, respectively.

General descriptions of major revolving fund activities are:

Cooperative Acquisitions Program – The Cooperative Acquisitions Program, which is operated by the Library's six overseas field offices, acquires foreign publications and research materials on behalf of participating academic and research institutions on a cost-recovery basis. Earned revenues were \$3.3 million for fiscal year 2011 and \$2.9 million for fiscal year 2010.

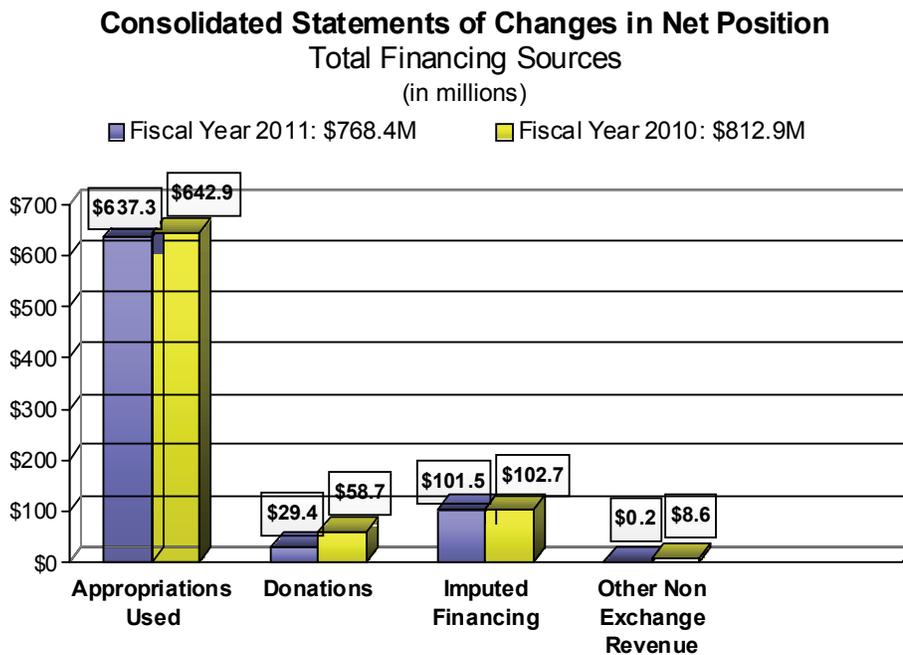
Duplication Services – Duplication Services provides preservation services for the Library's audio and visual collections, and products are also produced for sale to the general public. Earned revenues for fiscal years 2011 and 2010 were \$0.1 million and \$0.1 million, respectively.

Gift Shop, Decimal Classification, Document Reproduction and Microfilm Services, Special Events and Programs and related services – This revolving fund provides for the operation of a gift shop or other sales of items associated with collections, exhibits, performances, and special events of the Library of Congress; decimal classification development services; the preservation and microfilming services for the Library's collections and reproduction services to other libraries, research institutions, government agencies, and individuals in the United States and abroad; and the hosting of special events and programs by corporate and non-profit entities that support the Library's mission. Earned revenues were \$6.4 million and \$6.1 million in fiscal years 2011 and 2010, respectively, and intra-Library transactions of \$1.7 million and \$1.3 million were eliminated during consolidation.

The FEDLINK program and Federal Research Program (FRP) – FEDLINK serves federal libraries and information centers as their purchasing, training and resource-sharing consortium. As the Federal Library and Information Center Committee (FLICC) business subsidiary, the program provides cost effective access to an array of automated information and retrieval, print serials, books, electronic publications and preservation services. FEDLINK contracts with more than 130 major vendors to provide services to federal offices participating in the program, saving the offices in cost avoidance benefits and in vendor volume discounts. FRP provides customized research services that the Library is uniquely able to perform as a result of its collections and the subject and language expertise of its staff. A popular FRP product, available on-line via the Library's home page, is the country study series of books. In fiscal years 2011 and 2010, earned revenues were \$83.9 and \$87.9 million, respectively, and intra-Library transactions of \$2.0 million and \$1.0 million were eliminated during consolidation.

Consolidated Statements of Changes in Net Position

The purpose of the Consolidated Statements of Changes in Net Position is to provide financial statement users with information about the Library's financing sources and the components of the changes in net position. The Library's financing sources totaled \$768.4 million and \$812.9 million for the fiscal years ended September 30, 2011 and 2010, respectively.



The major source of the Library's funding is from Congressional appropriations for five programs: National Library, Law Library, Copyright Office, Congressional Research Service, and National Library Service for the Blind and Physically Handicapped. Appropriations used during the fiscal years ended September 30, 2011 and 2010 totaled \$637.3 and \$642.9 million or 83 and 79 percent for fiscal years 2011 and 2010, 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, U.S. Treasury, and U.S. Capitol Police) used Congressional appropriations and other financing sources to provide support for the Library's programs totaling an estimated \$101.5 and \$102.7 million (imputed financing) for fiscal years 2011 and 2010, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$62.6 million and \$59.9 million), employee benefits (\$36.0 million and \$38.4 million), acquisitions exchange services (\$1.3 million and \$1.2 million), legal claims (\$0.2 million and \$1.8 million) and collections security services (\$1.4 million and \$1.3 million). Other non-exchange revenues are positive and negative for fiscal years 2011 and 2010, primarily due to the unrealized loss or gains on non-treasury investments.

Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available, as well as their status at the end of the period. The Budgetary Resources section of the statement presents the total budgetary resources available to the Library. The Status of Budgetary Resources section of the statement presents information about the status of budgetary resources at the end of the period. Finally, the Outlays section presents the total outlays of the Library and relates obligations incurred to total outlays.

The Library's budgetary resources were \$0.9 billion and \$2.1 billion for the fiscal years ended September 30, 2011 and 2010, respectively, of which \$0.7 billion and \$0.7 billion were from appropriated funds and \$0.2 billion and \$1.4 billion were from non-appropriated funds for fiscal years ended September 30, 2011 and 2010, respectively. Total outlays of \$656.7 million and \$1,838.0 million were incurred with the outlays of appropriated funds (\$635.7 million and \$636.9 million) combined with outlays of the non-appropriated funds (\$21.0 million and \$1,201.0 million) in fiscal years 2011 and 2010. The decrease in non-appropriated outlays is due to a 2010 transfer of \$1.2 billion in assets from the Copyright Licensing Fiduciary Special Fund which was in the budget to the Copyright Licensing Fiduciary Deposit Fund which is not in the budget as authorized by OMB and US Treasury.

Performance Targets and Accomplishments

At the beginning of fiscal 2011, the Library published the *Library of Congress Strategic Plan Fiscal Years 2011 – 2016*. This six-year strategic plan describes specific, measurable results the Library plans to achieve by the end of fiscal year 2014. From the result statements, the Library developed logical, incremental annual objectives for fiscal years 2011, 2012, and 2013 that would ensure a Library-wide focus on the desired results for 2014.

This section presents those annual objectives and related performance targets grouped by their respective connections to the Strategic Plan's five goals: (1) Provide authoritative research, analysis, and information to the Congress; (2) Acquire, preserve, and provide access to a universal collection of knowledge and the copyrighted record of America's creativity; (3) Sustain an effective national copyright system; (4) Lead and work collaboratively with external communities to advance knowledge and creativity; and (5) Manage proactively for demonstrable results.

Strategic Plan Goal: Provide authoritative research, analysis, and information to the Congress.

Annual Objective: The Library has identified methods for understanding client needs/behavior and assessing alignment of products and services with the congressional agenda, using tools such as: (1) Web analytics (to understand Web site usage), (2) Client Relationship Management Systems (to understand requests for expertise, research, services), and (3) Client feedback mechanisms.

Performance Target: The Congressional Research Service (CRS) will develop the means for CRS.gov users to personalize their experience by setting up accounts and receiving customized content – a feature that will provide CRS insight into client behavior and demand for its products and services.

Accomplishment: The personalization functionality was deployed on time and enables congressional users of CRS.gov to customize their experience on the website. Users can subscribe to content that can be pushed to them in a variety of ways and streamline their placement of requests for CRS information and analysis.

Annual Objective: The Library has identified data needs in support of acquiring and organizing information relevant to a broader range of areas aligned with the congressional agenda.

Performance Target: CRS has assessed its data collections and developed a strategy for acquiring and organizing research data materials aligned with the congressional agenda and established target implementation dates.

Accomplishment: While data collection and strategy development were not completed, the information-gathering process has revealed the need for a broader consideration of data acquisition and management, with three additional Library Service Units (SUs) joining in this effort. This broader effort has resulted in enhanced intra-Library cooperation and cohesiveness, and set the groundwork for more efficient service to clients, leveraging existing resources, and limiting duplication of effort. A firm foundation has been laid for a more comprehensive strategy of data acquisition in line with client needs.

Annual Objective: The Library has prepared a requirements document in support of the next generation legislative information system platform and services.

Performance Target: Investment Charter: Complete an Executive Committee (EC)-approved investment charter, including high-level plans that meet the strategic objective and demonstrate integration with the over-arching, Library-wide cyclical investment in technology infrastructure by 5/31/2011.

Performance Target: Requirements: Complete an approved set of requirements appropriate for in-sourcing or outsourcing the design of the next-generation legislative information systems platform and services. Requirements are necessary before advancing to the fiscal 2012-scheduled design phase.

Performance Target: Legislative Data and Documents: Prepare legislative data and documents to be compatible with the next-generation legislative information systems platform and services. Legislative data efforts include XML schema search optimization, scanning historic documents, acquisition, and creation of meta data for new types and back files of documents, and building schemas for new types and back files of documents.

Performance Target: Search Solution: Select a search system for the next generation legislative information systems platform and services. Requirements are necessary before advancing to the fiscal 2012-scheduled design phase.

Accomplishment: The four performance targets for this annual objective involved an investment charter, information and functional requirements, legislative data and documents, and selection of a search solution. Directions established by the Web Governance Board in consideration of the Library's entire web presence superseded the four targets. A Library web strategy and information architecture strategy were developed that address the Library's three core areas of content, including legislative information. A technical plan was formulated based on this information architecture strategy, and a Library-wide team of technical and subject matter experts was formed to deliver a completely new legislative system with significant enhancements.

Annual Objective: The Library has developed criteria to assess timeliness, breadth, depth of coverage, and interdisciplinary collaboration.

Performance Target: Drawing on various management information systems, CRS will generate criteria to assess timeliness, breadth, depth of coverage, and interdisciplinary collaboration.

Accomplishment: Revised monthly reporting on products and services began on time and provided a snapshot of CRS-wide productivity. In addition, by pursuing a case study approach of examples of the major categories of its work for Congress, CRS created a set of working definitions for the various attributes of its work (timeliness, breadth, depth, collaboration) as well as additional indicators for further investigation. This work will feed directly into fiscal 2012's follow-on annual objective and target.

Annual Objective: The Library has developed data (including baseline indicators) to assess client needs for mobile device access to products and services.

Performance Target: CRS has developed data to assess client needs for mobile device access to products and services.

Accomplishment: CRS successfully completed the necessary analysis to satisfy all fiscal 2011 milestones. By the end of the fiscal year CRS had surveyed Legislative Branch agencies or organizations, confirmed its ability to track mobile access to CRS.gov, and analyzed client feedback. Improving mobile access to CRS.gov is critical to enhancing CRS' communication support to Congress. The fiscal 2011 efforts laid a foundation for improving this essential service to Congress in fiscal years 2012 and 2013.

Annual Objective: The scope of training requirements for Congressional members and staff has been defined and baseline target indicators established.

Performance Target: By the end of fiscal 2011, the Library will have an inventory of training offered by all Capitol Hill offices (House/Senate) of training offered by all Capitol Hill offices (House/Senate)

Accomplishment: The inventory was developed and will provide a basis for determining if training duplication exists. It will also identify training gaps and guide the development of new or modify existing training to fill those training gaps as resources are available.

Strategic Plan Goal: Acquire, preserve, and provide access to a universal collection of knowledge and the copyrighted record of America's creativity.

Annual Objective: The Library has established a centralized collections development group to analyze collections, set acquisitions strategies, and allocate acquisitions resources.

Performance Target: Formal approval of a Collection Development Office creation and implementation plan has been accomplished and labor negotiations successfully completed.

Accomplishment: Three of the five milestones for this target were completed: initial approvals for the Collections Development Office and its implementation plan were obtained; labor negotiations were successfully completed; and the Collections Development Officer position was classified. Library Services is now prepared to complete the remaining two milestones: obtain final Human Resources Services and Office of the Librarian approval. The Collections Development Officer position will be filled by the end of the first quarter or early second quarter of fiscal 2012.

Annual Objective: The Library is receiving electronic-only serials through mandatory deposit. (i.e., content available only in electronic form)

Performance Target: Receive and ingest 40 electronic-only serials titles into the Library's collections for management by Library staff, by September 30, 2011.

Accomplishment: The receipt of 85 serial titles from 25 publishers with over 36,000 files allowed the Library to begin adding material in a media not previously collected. Publishers were generally willing to comply and provided more content files than required by law and frequently provided full runs of back issues of the requested titles.

Annual Objective: The Library has prepared a requirements document for new and existing forms of digital content, which includes criteria for its authentication and storage.

Performance Target: By the end of fiscal year 2011, a requirements document is completed, which addresses three aspects of managing converted (or to be converted) and born-digital forms of content, which are of interest to Law Library, CRS, Copyright Office, Library Services, and Office of Strategic Initiatives. The three aspects are: 1- Content ingest, 2- Content authentication, and 3- Content storage. Content storage requirements will include: 1- Short-term storage for receiving and processing digital content, and 2- Long-term storage for preservation of and access to digital content.

Accomplishment: While the requirements document was not completed, the drafts were reviewed, digital content lifecycle categories were assigned to all requirements, and input was received from team members on requirements that needed clarification. The needed gap analysis for the requirements document was not completed. This means that the list of requirements does not yet fully address any of the identified but missing requirements. The intention is to have this requirements document completed before December 31, 2011.

Annual Objective: The Library has transferred 65 percent of designated special format materials to Ft. Meade Modules 3 and 4.

Performance Target: The Library will have transferred 108,028 containers.

Accomplishment: During the year, more than 164 thousand track-able containers were transferred to Ft. Meade Modules 3 & 4 for storage in better environmental conditions. The total transferred represents 69 percent of the 3-year target and exceeded the annual target by almost six percent.

Annual Objective: The Library has assessed, housed, stabilized, mass deacidified, bound, reformatted, or otherwise prepared over 5 million high value, high use, and/or at-risk items in all formats.

Performance Target: The Library supports the preservation activities listed in the annual objective in order to ensure long-term access to its collections.

Accomplishment: The Library preserved over 8 million high value, high use, and/or at-risk items for use in exhibits, scanning projects, and reading rooms during fiscal 2011. The various forms of treatment ensure better long-term access to the collections.

Annual Objective: The Library has identified criteria for the preservation of digital material.

Performance Target: Complete an inventory of practices for the lifecycle management of digital material.

Accomplishment: During fiscal 2011, the Digital Preservation Working Group (DPWG) created a wiki outlining known policies and procedures for life-cycle management for digital materials for the Library and its partners. During the fourth quarter of the fiscal year, the DPWG used this information to create a Digital Preservation Policy Analysis Matrix correlating preservation models and strategies of major programs. The gaps identified through this process will facilitate the next stage of this important work which will focus on developing a proposal and adoption plan for guidelines, best practices and workflows for the preservation of digital materials.

Annual Objective: Secure the approximately 40,000 volumes of rare material currently housed in the LAW stacks in a secure storage vault which meets both environmental and collection security standards.

Performance Target: By the end of fiscal 2011, the Law Library will explore the availability and suitability of alternative locations both on-campus and off-campus for securing the approximately 40,000 volumes of rare material currently housed in the LAW stacks.

Accomplishment: LAW explored the availability and suitability of alternative locations and determined the only option for safe, secure, and environmentally friendly storage for the 36,500 pre-1801 volumes in the closed stacks is construction of the planned third floor vault in the Madison Building. Phase 1 of the Secured Storage Facilities was included as priority #2 in the Library's fiscal 2013 Client Request Memo to the Architect of the Capitol.

Annual Objective: The Information Architecture for the Library's web presence is completed.

Performance Target: High-level information architecture for the three core areas was completed by the end of fiscal 2011. The core areas, as identified in the web strategy are: National Library, Congress/Legislative information, and Copyright. "Completed" is defined as approval of the Web Governance Board.

Accomplishment: The high-level information architectures for the three core areas were completed. The information architecture strategy creates a web presence easier for users to search and to browse.

Annual Objective: The Library has defined criteria for user satisfaction with online access and baseline target indicators established.

Performance Target: Define criteria for user satisfaction with online access and establish baseline target indicators by the end of fiscal 2011.

Accomplishment: A core set of Key Performance Indicators (KPIs) was identified and piloted. A policy on using KPIs was drafted and was presented for approval before the end of the year. The identified tools to measure user satisfaction and baseline target indicators will be used for pilot projects during fiscal 2012.

Annual Objective: The Library has evaluated the Library of Congress Experience. Successful elements were incorporated into ongoing operations and unsuccessful elements were discontinued.

Performance Target: The Library will have prepared, for Librarian and EC approval, an analysis with recommendations for incorporating the Library of Congress experience into ongoing operations by September 15, 2011.

Accomplishment: The required report is complete. It details the prioritized spending plan for the next two years.

Annual Objective: Material shelved under "LAW" will have been reclassified to the Class K schedule by fiscal 2020.

Performance Target: Reduce the backlog by greater than 20,000 volumes.

Accomplishment: LAW reduced the backlog by more than twice the targeted 20,000 volumes resulting in more efficient retrieval and quicker service to Congress and the public. The inventory of these retrospective volumes corrects many access problems. The items are also now shelved under a unique K class number, resulting in an additional clean access point.

Annual Objective: Launch the One World Law Library (OWLL) with guidelines for proofs of concept and best practices standards.

Performance Target: By the end of fiscal 2011, develop an eight-year strategic plan for OWLL.

Accomplishment: LAW completed a more detailed business plan in lieu of a high level strategic plan. This plan creates a foundation and road map for the development of OWLL that are aligned with both the Library's and LAW's strategic plans. The business plan also reinforces the alignment of OWLL with the Library's web governance structure and processes.

Strategic Plan Goal: Sustain an effective national copyright system.

Annual Objective: The Library organizes annually, in conjunction with the World Intellectual Property Organization (WIPO), the training of copyright officials from developing countries and countries in transition.

Performance Target: Educate and train foreign copyright officials by organizing, in conjunction with WIPO, one or more training sessions for copyright officials from developing countries and countries in transition during 2011 and/or 2012.

Accomplishment: During the year, COP trained 47 registration and other officials from 20 countries. As a result, those officials have a better understanding of U.S. copyright law and registration practices and will be able to improve protection of creative works and administration of copyright in their own countries.

Annual Objective: The Library has completed the pre-1972 sound recording report, required by the fiscal 2009 Legislative Branch Appropriations Bill.

Performance Target: Initiate the pre-1972 sound recording report, required by the fiscal 2009 Legislative Branch Appropriations Bill, to be completed by December 31, 2011.

Accomplishment: COP is on track to complete the required report by the end of calendar year 2011. The report will assist Congress' decision whether to federalize protection of pre-1972 sound recordings.

Annual Objective: COP has completed the digitization of 25 percent copyright card catalog records from 1923-1977.

Performance Target: Increase the number of digitized pre-1978 historical records from the Copyright Card Catalog by ten million, by September 30, 2011.

Accomplishment: COP scanned and archived more than the target of 10 million cards and scanned 318 Catalog of Copyright Entries volumes. Scanning provides protection in the event of loss of the originals and starts the process for making these records accessible online. The scanned Catalog volumes are already accessible online.

Annual Objective: The Library has developed a requirements document for improving client interface and public records access for electronically-available copyright records and licensing functions.

Performance Target: Develop standards and requirements for improving client interface and public records access; specifically, evaluate how people use copyright information/data, what they use them for, and how the Office can improve the interface, by March 31, 2012

Accomplishment: During the year, COP representatives began meeting with the Library's Web Governance Board to plan out tasks and objectives for fiscal 2012. As a result, COP gained a substantial amount of information from the "Information Architecture Strategy Part III: Copyright Report." COP's efforts will now be aligned with the Web Governance Board's Library-wide objectives.

Annual Objective: The Library has completed the report on market alternatives to statutory licensing assigned in the Satellite Television Extension and Localism Act of 2010.

Performance Target: Complete the report on market alternatives to statutory licensing assigned in the Satellite Television Extension and Localism Act, by August 27, 2011.

Accomplishment: COP delivered the required report to Congress on August 29, 2011. The report recommended phasing out statutory licenses for cable operators and satellite carriers. The report also advised Congress how to phase out statutory licenses in favor of marketplace solutions without causing undue disruption to consumers and undue hardship to the affected industries.

Annual Objective: COP has developed a requirements document for online cable licensing.

Performance Target: Develop a functional requirements document for online cable licensing interface, by September 30, 2011.

Accomplishment: The project's Functional Requirements Document was developed on time and will lead to work on the first phase. When implemented, the new system will improve the submission of royalties and fund administration processes.

Annual Objective: COP has significantly reduced the number of workable copyright registration claims on hand.

Performance Target: Reduce the number of workable copyright registration claims on hand to 150 thousand by March 31, 2011 and to 130 thousand by September 30, 2011.

Accomplishment: COP reached the target of 150 thousand on-hand claims in early April 2011 and the target of 130 thousand by the end of May, four months early. This resulted in clients receiving their registration certificates more quickly.

Strategic Plan Goal: Lead and work collaboratively with external communities to advance knowledge and creativity.

Annual Objective: The Library has developed a requirements document for needed information description and data exchange tools.

Performance Target: The Library has developed a requirements document for needed information description and data exchange tools.

Accomplishment: The requirements document was completed by September 30, 2011. It describes the Library's requirements for a suite of services that can be implemented either as a system or as a suite of integrating software tools to enhance the exchange of digital content and metadata.

Annual Objective: The Library has developed a list of major collaborations and their alignment with LC Strategic goals.

Performance Target: The Team will develop an institution-wide definition of "collaboration" which is sufficiently clear to allow the service units to determine which relationships to list as collaborations.

Accomplishment: The annual objective team developed and approved a Library-wide definition for collaboration. The definition guided development of the collection of collaborative relationships list.

Performance Target: The Team will produce a consolidated inventory of collaborative relationships.

Performance Target: In order to ensure alignment between this annual objective and the strategic plan, the Annual Objective (AO) Team will evaluate each collaboration and identify its relation to the Strategic Plan.

Accomplishment: For the preceding two targets, SUs completed the inventory of collaborative relationships identifying 846 relationships and linking them to the Library's Strategic Plan. The completed Inventory of Collaborative Relationships contributes to the achievement of Library Strategic Goals in several ways: first, senior management will have a comprehensive picture of the numerous collaborative relationships the Library maintains with national and international partners (Goal 4)¹; second, ongoing refinement of the data will reveal more precise connections between the locations of our collaborators and congressional representatives (Goal 1); and, third, the inventory provides the basis for eventual analysis of costs and benefits which could inform future funding decisions (Goal 5).

Annual Objective: The Library has developed an organizational framework for coordinating its conservation research with partners and other research facilities.

Performance Target: The Library of Congress has an entity authorized to coordinate conservation research.

Accomplishment: Library of Congress Regulation (LCR) 213, "Functions and Organization of Library Services," was edited to incorporate language defining the Preservation Directorate's authority to establish a conservation research framework with external institutions. When approved, the LCR will authorize the Preservation Research and Testing Division to collaborate and coordinate with external institutions conducting research programs to leverage resources, avoid duplication of effort, and form the basis for a nationally coordinated preservation research agenda.

Annual Objective: Contract for the production of 50,000 digital players and the production of 1,000 copies each of 2,000 new digital titles.

Performance Target: Contract for the production of 50,000 digital players.

Accomplishment: The contract to exercise the first option year and the first delivery order for 50,000 Digital Talking Book (DTB) players was awarded in June 2011. This effort will begin to place the new DTB players in the hands of Library clients.

Performance Target: Contract for the production of 1,000 copies each of 2,000 new digital titles.

Accomplishment: Awarded contracts for the creation of 1,900 titles (94 percent of the target of 2,000 titles). This will provide a significant number of new titles to the users of the new DTBs.

Strategic Plan Goal: Manage proactively for demonstrable results.

Annual Objective: The Library's Enterprise Architecture (EA) represents a conceptual, methodological, and analytical framework for identification, collection, and validation of architecturally relevant data, representing internal and external relationships and dependencies, to currently or potentially answer identified business questions.

Performance Target: By September 30, 2011, establish a conceptual, analytical, and methodological

¹ See the text of the five strategic plan goals in the second introductory paragraph on the first page of this section.

framework which accommodates Architectural data identification, collection, and validation.

Accomplishment: By the end of the fiscal year, collected all relevant documentation and incorporated it into the tabular EA framework. The Framework facilitates EA development, collaboration, presentation, and implementation and helps ensure efficient use of information technology resources.

Annual Objective: The Library has established policies and processes for flexible workplace and off-site Continuity of Operations Plan (COOP) activities.

Performance Target: By the end of fiscal 2011, ensure all relevant LCRs and CBAs support flexible workplace and off-site COOP activities.

Accomplishment: Human Resources Services (HRS) reviewed policies and processes to ensure integration of flexible workplace activities with the Continuity of Operations Plan (COOP).

Annual Objective: The Library's strategic goals drive Office of Support Operations (OSO) infrastructure annual performance plans.

Performance Target: Human Capital Management Plan (HCMP): Increase the proportion of Library-wide workforce performance appraisals that are completed in a timely manner to 85%.

Accomplishment: During the year, the Library achieved a 55 percent timeliness rate for completing performance appraisals. While this fell short of the 85 percent target, it was a 15 percent improvement over the timeliness baseline from the previous year.

Performance Target: HCMP: Within six months of hire, 85% of new managers, supervisors, and senior leaders will have completed "Respectful Workplace" training.

Accomplishment: During the year, 85 percent of new managers, supervisors and senior leaders completed Respectful Workplace training. This training provided information to them on the spectrum of behaviors in the workplace and steps they can take to eliminate harassment in the workplace.

Performance Target: Multi-Year Affirmative Employment Program Plan (MYAAPP) Implementation: In fiscal 2011 there are eighteen data sets that will be collected and reported centrally through the HRS Data Management Systems. The Office of Opportunity, Inclusiveness and Compliance (OIC) will conduct an assessment of the data collected and reported by HRS.

Performance Target: Beginning in quarter four of fiscal 2011, SUs provide data required based on established standards and definitions.

Accomplishment: For the two preceding targets, 14 of the planned 18 data sets were collected during the year and reported centrally to investigate, report, track, and identify trends. (Human Resources Services deferred collecting the four remaining data sets to fiscal 2012 due to system limitations.) The Library uses the data to evaluate diversity, implement inclusion programs and training opportunities, assess recruiting and hiring practices, update incentive compensation programs, and conduct analysis using current market data. Overall these accomplishments will help fulfill the Library's commitment to leveraging diversity.

Performance Target: Office of Contracts and Grants Management (OCGM): SU Acquisition Plans are developed and provided to OCGM on a 15 month planning process.

Accomplishment: In fiscal 2011, all service units developed and provided acquisition plans supporting a 15-month planning cycle to the Office of Contracts Management (OCM). These

long-range acquisition plans allow OCM to forecast, coordinate, and integrate a comprehensive Library-wide plan and overall strategy with staffing requirements for awarding the Library's essential acquisitions.

Performance Target: OCGM: Building Capability: The success of OCGM is vitally dependent upon the competency of all who play a substantive role in the acquisition process. Develop and implement a formalized Contracting Officer's Technical Representative (COTR) continual training program.

Accomplishment: In fiscal 2011, OCM developed and implemented a formalized, on-going COTR training program and provided training to 236 (85 percent) of all active Contracting Officer's Technical Representatives (COTRs) and others involved in contract management. COTR training helps to ensure that contracts are managed properly by giving COTRs the skills necessary to execute their responsibilities for accomplishing technical and financial aspects of contract execution.

Performance Target: Integrated Support Services (ISS)/Facility Services (FACS) Projects Plan: Maintain an average on-time achievement rate of 75% for key project milestones (Program, Design, Procurement and Construction).

Accomplishment: Achieved an overall timeliness rate of 94 percent, exceeding the 75 percent performance target. As a result, ISS/FACS improved the timeliness of its support to its customers.

Performance Target: Achieve a customer satisfaction level with FACS project milestones at ISS best practice rate of 4.5 of 5.0.

Accomplishment: During fiscal 2011, ISS/FACS/Facility Design and Construction (FD&C) recognized shortcomings in the existing surveys used to set the performance target of achieving a 4.5 rating for customer satisfaction with facility projects. FD&C revised its surveys of client satisfaction with facility projects. At year end, the revised surveys had established a baseline value of 4.1 (out of a possible 5) for overall client satisfaction. Based on that feedback, during fiscal 2012 FD&C will institute new project communication protocols focused on customer awareness and the project process.

Performance Target: ISS Records Management: Every federal agency, including the Library has a responsibility to create and maintain records regarding its existence and operations and to manage its records in both hardcopy and electronic formats, according to the Federal Records Act, the Federal Records Disposal Act and LCRs. SUs are responsible for identifying and assigning a Records Coordinator to oversee records management activities for all the SU divisions and offices and coordinate SU records management matters with the Office Systems Services (OSS)/Records Management Section (RMS). The records coordinator will be responsible for record management compliance for the SU.

Performance Target: SUs are responsible for assigning Records Liaisons for each division and office. Record Liaisons are responsible for managing their respective office records inventories, maintaining file plans, records disposition, etc.

Accomplishment: For the two preceding targets, ISS/RMS personnel worked with SUs to establish necessary contacts for Records Program rollout, and assured that Records Management Coordinators and Liaisons were assigned for all SUs prior to year end. This effort to strengthen the Library's records management will lead to better preservation of the Library's business documents and records.

Performance Target: All Record Coordinators and Liaisons will have completed Library identified Records Management training.

Accomplishment: ISS/RMS completed the training for six of the seven SUs (86 percent). The records management General Records Schedule and training gives the Library a set of tools to gain control over the records in existence and those being created on a daily basis.

Performance Target: Office of Security and Emergency Preparedness (OSEP): Continuity of Operations Plan (COOP). Guide and assist Service Units in preparation and submission of COOPs including Federal Emergency Management Agency (FEMA) elements.

Accomplishment: OSEP staff assisted and guided all Library service units to prepare and submit COOPs according to FEMA standards. As a result, the Library's COOP will be more effective through the use of common language, terminology, roles, and responsibilities that are written clearly and concisely.

Annual Objective: The Information Technology Steering Committee (ITSC) has established appropriate levels of governance for all Information Technology (IT) investments.

Performance Target: By September 30, 2011, the ITSC has reviewed and evaluated all Library IT investments meeting the threshold criteria.

Accomplishment: By the end of fiscal 2011, all those IT investments meeting the established threshold criteria for cost, complexity, risk, and visibility had undergone evaluation by the ITSC.

Annual Objective: The Library has begun implementation of the new planning and budgeting framework and uses budget and planning systems for analysis and decision-making.

Performance Target: The Office of the Chief Financial Officer (OCFO) has published the Formulate, Execute, and Implementation phases of the Planning and Budgeting Framework manual by September 2011.

Accomplishment: The three planned sections of the manual were drafted and reviewed by stakeholders by the end of the fiscal year. These sections provide broad guidance about the Planning and Budgeting Framework as well as step-by-step instructions for effectively using the Library's planning database as a tool for both planning and reporting on performance progress toward accomplishing the Library's Strategic Plan.

Performance Target: By July 2011, the Library-wide budget formulation and execution system is available for use by Library fund managers.

Accomplishment: The Library's Budget System was not available for use as of September 30, 2011. OCFO anticipated its availability for users in early November 2011. Once implemented, this Budget System will allow end users to track planned v. actual obligations. The system will be the repository of all budget formulation and execution data for the Library. It will also automate the acquisition planning process, and synchronize acquisition plans with the Library's budget spending plans.

Annual Objective: Senior level executive performance plans are aligned to the Library's Strategic Plan and organizational annual plans.

Performance Target: By the end of fiscal 2011, the Library will have aligned senior level performance plans to the Library's Strategic Plan and organizational annual plans

Accomplishment: Eighty-six percent of Senior Level Performance Plans were validated for alignment to the Library's strategic goals and organizational plans, and entered into EmpowHR (the Library's automated HR system) for tracking and reporting purposes. Aligning senior-level

staff performance plans to the Library's Strategic Plan helps ensure senior managers focus their attention on the Library's overall priorities, vision, and strategic direction.

Annual Objective: Management received responses required by LCR 2023-9.

Performance Target: Management response required by LCR 2023-9, "Rights and Responsibilities of Library Employees to the Inspector General," submitted in final format to the Chief, Office of Support Operations (OSO) for review minimum three business days before the Office of the Inspector General's (OIG) due date.

Performance Target: Corrective Action Plans and periodic updates required by LCR 2023-9 submitted in final format to Chief, OSO for review minimum three business days before OIG due date.

Accomplishment: For the preceding two targets, during the year all management responses, corrective actions plans and periodic updates were submitted timely. Timeliness permitted the Chief of OSO the opportunity to determine the direction of corrective action and that controls are in place to prevent fraud, waste, and mismanagement of government resources.

Annual Objective: SU efficiencies and best practices identified.

Performance Target: Leverage efficiencies and best practices within the SU. OSO working groups convene to review administrative, technical, contracting, and operational procedures and develop OSO best practices and opportunity for efficiencies within the SUs.

Accomplishment: As a result of ongoing quarterly meetings, the Office of Support Operations identified several best practices in procurement planning (purchasing as a service unit rather than individual offices), budget execution (better utilization of the Payroll Analysis Module (PAM) in payroll planning), and workforce planning that will be implemented throughout the SU.

Annual Objective: OCGM New Organization

Performance Target: Currently the contracting office is staffed at 40% level. A hiring plan, spending plan and new organization has been approved.

Accomplishment: Twenty-six of 30 planned positions were filled (22 by federal employees and four by contractors) for a total fill of 87 percent.

Performance Target: The success of OCGM is vitally dependent upon the competency of all who play a substantive role in the acquisition process. Develop and implement a three year training program for OCGM staff.

Accomplishment: The Office of Contracts Management successfully implemented the first year of a three-year training program for its staff. The curriculum addresses the training, education, and experience requirements for contract specialist certification. A well-trained acquisition workforce is critical to ensuring that the Library accomplishes its mission.

Annual Objective: Emergency Preparation

Performance Target: COOP: consolidate SU and Office of the Librarian (LIBN/O) submissions into one Library COOP.

Accomplishment: The OSEP received and reviewed all SU COOPs. Although the SUs used a single tested and proven template to build their COOPs, differences between individual SU requirements made coordination and consolidation into a Library-wide plan more difficult than anticipated. As a result, OSEP has scheduled the plan for completion in fiscal 2012. The common

language, terminology, roles, and responsibilities used in the Library-wide plan will enhance the Library's ability to execute the plan in an emergency.

Annual Objective: The Library has developed policies and governance processes to: (1) solicit ideas for improving business processes and information tools for clients, (2) review and prioritize the ideas, (3) implement the ideas where appropriate, and (4) acknowledge and celebrate benefits to the Library.

Performance Target: By September 30, 2011, the Innovation Group has defined scope and focus for the first phase of establishing an innovation program.

Accomplishment: By the close of fiscal 2011, the Innovation Group had achieved the milestone of identifying and describing the scope of its efforts and, in addition, had identified three areas of focus for the initial ideation sessions. The Group had also identified four of seven SU coordinators and was in the process of finding participants and developing a schedule for obtaining staff input. These actions position the Innovation Group to begin the first phase of establishing an innovation program for the Library.

Annual Objective: Thirty percent of Library-wide staff development programs incorporate competencies in collaboration and innovation.

Performance Target: By the end of fiscal 2011, the Library will have included the competencies of collaboration and innovation into 30% of Library-wide staff development programs

Accomplishment: Incorporated competencies in collaboration and innovation into 50 percent of the four planned Library-wide staff development programs. The two affected programs, Career and Leadership Development, added innovation and collaboration competencies to their effective management and leadership subjects. These competencies will help employees develop and integrate new skills into their career development efforts.

Internal Control Program, Systems, Controls and Legal Compliance

The Library has an Internal Control Program (ICP) that requires annual risk (vulnerability) self assessments and periodic reviews of control techniques based on the results of the Vulnerability Assessments (VAs). The Library's Internal Control Program policy, as provided in LCR 1510-1 states that:

“Library of Congress will establish and maintain an Internal Control Program to ensure that adequate internal controls are in place to provide reasonable assurance that program activities are operating efficiently and effectively; reliable/timely information is obtained, maintained, recorded, reported, and used for decision making; assets are safeguarded, and that programs are managed with integrity and in compliance with applicable laws and regulations.”

During fiscal year 2011, all modules (134) Library-wide performed Vulnerability Assessments (VAs) on the identified financial and non-financial programs. Based on the results of the level of risk provided by the VAs, the number of selected modules that performed Detailed Control Reviews (DCRs) was 41. DCRs examine if control techniques are in place and working as intended. These 41 DCRs yielded 32 new Corrective Action Plans (CAPs). These CAPs will be monitored and tracked by program officials and verification reviewers until the deficiencies are resolved. All CAPs were Letter Findings.

The implementation and regular testing of controls allows for Library management to assert that these controls provide reasonable assurance that the foregoing objectives are met. This testing is performed on the central financial and reporting systems, along with the subsidiary and program systems and the external financial interfaces used by the Library. The Library has continued to enhance the central financial system that was implemented in 2004 to improve controls, reduce paper-based transactions, and decrease the number of program and subsidiary systems.

Limitations of the Financial Statements

The Library's financial statements are the culmination of a systematic accounting process. The statements have been prepared to report the financial position and results of operations of the Library of Congress, pursuant to the hierarchy of accounting principles and standards set forth in Note 1 to the Financial Statements. While these statements have been prepared from the books and records of the Library, they are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

THE LIBRARY OF CONGRESS**Consolidated Balance Sheets**

As of September 30, 2011 and 2010

(in thousands)

	(in thousands)	
	FY 2011	FY 2010
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 334,678	\$ 350,417
Investments (Note 3)	45,506	42,583
Accounts Receivable, Net (Note 4.A)	14,388	11,848
Other Intragovernmental Assets	69	1,023
Total Intragovernmental	394,641	405,871
Cash and Other Monetary Assets (Note 1.G)	223	169
Pledges Receivable – Donations (Note 4.B)	10,162	19,208
Investments (Note 3)	80,583	84,979
Inventory and Operating Materials (Note 1.K)	896	1,037
Property and Equipment, Net (Note 5)	67,924	67,015
Other Assets	257	544
Library Collections (Note 1.M)		
TOTAL ASSETS	\$ 554,686	\$ 578,823
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 5,070	\$ 6,109
Advances from Others	32,971	33,091
Accrued Unfunded Workers' Compensation (Note 8)	1,922	1,756
Other Intragovernmental Liabilities (Note 10)	341	130
Total Intragovernmental	40,304	41,086
Accounts Payable and Accrued Funded Payroll, Benefits	79,138	74,908
Deposit Account Liability	6,473	6,920
Accrued Unfunded Annual and Compensatory Leave	25,977	26,295
Actuarial Unfunded Workers' Compensation (Note 8)	7,896	7,461
Other Liabilities (Note 10)	4,309	5,291
TOTAL LIABILITIES	\$ 164,097	\$ 161,961
Commitments and Contingencies (Note 9)		
NET POSITION		
Unexpended Appropriations – All Other Funds	\$ 182,590	\$ 199,250
Cumulative Results of Operations – Earmarked Funds (Note 17)	171,288	185,214
Cumulative Results of Operations – All Other Funds	36,711	32,398
TOTAL NET POSITION	\$ 390,589	\$ 416,862
TOTAL LIABILITIES AND NET POSITION	\$ 554,686	\$ 578,823

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

THE LIBRARY OF CONGRESS
Consolidated Statements of Net Costs
For the Years Ended September 30, 2011 and 2010

(in thousands)

	FY 2011	FY 2010
NET COSTS BY PROGRAM AREA		
National Library:		
Program Costs	\$ 477,394	\$ 485,331
Less: Earned Revenue	(4,430)	(4,351)
Net Program Costs	472,964	480,980
Law Library:		
Program Costs	25,145	25,477
Less: Earned Revenue	(15)	(15)
Net Program Costs	25,130	25,462
Copyright Office:		
Program Costs	76,163	81,326
Less: Earned Revenue	(32,694)	(38,481)
Net Program Costs	43,469	42,845
Congressional Research Service:		
Program Costs	141,333	148,424
Less: Earned Revenue	(3)	(1)
Net Program Costs	141,330	148,423
National Library Service for the Blind and Physically Handicapped:		
Program Costs	80,563	89,401
Less: Earned Revenue	(3)	(2)
Net Program Costs	80,560	89,399
Revolving and Reimbursable Funds:		
Program Costs	107,149	110,135
Less: Earned Revenue	(92,601)	(94,255)
Net Program Costs	14,548	15,880
NET COSTS OF OPERATIONS	\$ 778,001	\$ 802,989

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

THE LIBRARY OF CONGRESS
Consolidated Statements of Changes in Net Position
 For the Years Ended September 30, 2011 and 2010

(in thousands)

	FY 2011			FY 2010		
	Earmarked Funds	All Other Funds	Consolidated Total	Earmarked Funds	All Other Funds	Consolidated Total
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balances	\$185,214	\$32,398	\$217,612	\$173,519	\$34,175	\$207,694
Budgetary Financing Sources:						
Appropriations Used		637,325	637,325		642,917	642,917
Non-exchange Revenue	433		433	443		443
Donations of Cash or Securities	4,235		4,235	16,221		16,221
Transfers In/(Out) Without Reimbursement	206	(438)	(232)	382	(277)	105
Other	2,954		2,954	3,436		3,436
Other Financing Sources (Non-exchange):						
Donations of Property and Services	429	24,760	25,189	398	42,118	42,516
Transfers – in/out without Reimbursement	(126)	126	0	(31)	31	0
Imputed Financing	4,304	97,205	101,509	3,719	98,991	102,710
Other	(3,025)		(3,025)	4,559		4,559
Total Financing Sources	9,410	758,978	768,388	29,127	783,780	812,907
Net Cost of Operations	(23,336)	(754,665)	(778,001)	(17,432)	(785,557)	(802,989)
Net Change	(13,926)	4,313	(9,613)	11,695	(1,777)	9,918
CUMULATIVE RESULTS OF OPERATIONS	\$171,288	\$36,711	\$207,999	\$185,214	\$32,398	\$217,612
UNEXPENDED APPROPRIATIONS						
Beginning Balances	\$0	\$199,250	\$199,250	\$0	\$207,157	\$207,157
Budgetary Financing Sources:						
Appropriations Received	0	629,936	629,936	0	643,337	643,337
Appropriations Transferred In/(Out)	0	(76)	(76)	0	(1,137)	(1,137)
Other Adjustments	0	(9,195)	(9,195)	0	(7,190)	(7,190)
Appropriations Used	0	(637,325)	(637,325)	0	(642,917)	(642,917)
Total Budgetary Financing Sources	0	(16,660)	(16,660)	0	(7,907)	(7,907)
TOTAL UNEXPENDED APPROPRIATIONS	0	182,590	182,590	0	199,250	199,250
NET POSITION	\$171,288	\$219,301	\$390,589	\$185,214	\$231,648	\$416,862

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

THE LIBRARY OF CONGRESS
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2011 and 2010

(in thousands)

	FY 2011	FY 2010
BUDGETARY RESOURCES		
Unobligated Balance, Brought Forward, October 1	\$ 90,070	\$ 1,291,000
Recoveries of Prior-year Unpaid Obligations	21,667	34,432
Budget Authority:		
Appropriation	653,775	667,338
Spending Authority from Offsetting Collections:		
Earned:		
Collected	142,208	150,993
Change in Receivables from Federal Sources	722	795
Change in Unfilled Customer Orders:		
Advances Received	(116)	(3,808)
Without Advances from Federal Sources	1,243	(767)
Total Budget Authority	797,832	814,551
Nonexpenditure Transfers, Net	(76)	(1,137)
Temporarily Not Available Pursuant to Public Law	0	0
Permanently Not Available	(9,427)	(7,190)
TOTAL BUDGETARY RESOURCES	\$ 900,066	\$ 2,131,656

STATUS OF BUDGETARY RESOURCES		
Obligations Incurred:		
Direct	\$ 650,647	\$ 1,876,804
Reimbursable	149,712	164,782
Total Obligations Incurred	800,359	2,041,586
Unobligated Balance – Exempt from Apportionment	82,598	71,216
Unobligated Balance – Not Available	17,109	18,854
TOTAL STATUS OF BUDGETARY RESOURCES	\$ 900,066	\$ 2,131,656

CHANGE IN OBLIGATED BALANCE		
Unpaid Obligated Balance, Net, Brought Forward, October 1:		
Unpaid Obligations, Brought Forward	\$ 298,477	\$ 278,013
Less: Uncollected Customer Payments, Brought Forward	(12,521)	(12,492)
Total Unpaid Obligation Balance, Net	285,956	265,521
Obligations Incurred, net	800,359	2,041,586
Less: Gross Outlays	(798,985)	(1,986,690)
Less: Recoveries of Prior-Year Unpaid Obligations	(21,667)	(34,432)
Change in Uncollected Customer Payments from Federal Sources	(1,965)	(29)
Unpaid Obligated Balance, Net, End of Period:		
Unpaid Obligations	278,184	298,477
Less: Uncollected Customer Payments from Federal Sources	(14,486)	(12,521)
TOTAL UNPAID OBLIGATED BALANCE, NET, END OF PERIOD	\$ 263,698	\$ 285,956

NET OUTLAYS		
Gross Outlays	\$ 798,985	\$ 1,986,690
Less: Offsetting Collections	(142,092)	(147,185)
Less: Distributed Offsetting Receipts	(216)	(1,471)
NET OUTLAYS	\$ 656,677	\$ 1,838,034

(The Library has no Non-Budgetary Credit Program Financing Accounts; all amounts above are Budgetary.)

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

NOTE 1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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A. Reporting Entity

The Library of Congress (the Library), a legislative branch agency of the U.S. government, was established in 1800 primarily to provide information and policy analyses to the members and committees of the U.S. Congress. Since then, the Library has been assigned other major missions such as serving as the national library, administering the U.S. copyright laws, providing cataloging records to the nation's libraries, and coordinating a national program to provide reading material for blind and physically handicapped residents of the U.S. and its territories and U.S. citizens residing abroad. The Library also provides services to other federal agencies and administers various gift funds and funds accepted and controlled by the Library of Congress Trust Fund Board (TFB).

The Library's programs and operations are subject to oversight by the Joint Committee on the Library, the oldest joint committee of the Congress, which is comprised of members of the U.S. House of Representatives and Senate. The Library relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House and Senate Appropriations Subcommittees on Legislative Branch Appropriations. The Library also receives funds from other agencies for services provided under the Economy Act and other statutes. In addition, the Library administers several fee-for-service revolving funds and receives donations from the public, which are classified as gifts or funds accepted and controlled by the TFB, which consists of the Librarian of Congress (who is Chairman and Secretary of the TFB), the Chairman and Vice-Chairman of the Joint Committee on the Library, the Secretary of the Treasury (or an assistant secretary designated in writing by the Secretary of the Treasury), and ten members appointed by the President (two), the U.S. House of Representatives (four), and the U.S. Senate (four).

Entity activities are those for which the Library has the authority to use the assets. Non-entity activities consist primarily of deposit accounts that are not available for use by the Library.

B. Basis of Presentation

The accompanying financial statements report the financial position, net costs, changes in net position, and budgetary resources of the Library for fiscal years 2011 and 2010. These consolidated and combined financial statements include the accounts of all funds under the Library's control, which have been established and maintained to account for the resources of the Library. They were prepared from the Library's financial management system in accordance with Generally Accepted Accounting Principles (GAAP).

Fiduciary assets are not assets of the Library of Congress and are not recognized on the Balance Sheet, Statement of Net Cost, or Statement of Net Position.

Material intra-Library transactions and balances have been eliminated from the Consolidated Balance Sheets, the Consolidated Statements of Net Cost, and the Consolidated Statements of Changes in Net Position. The Statement of Budgetary Resources is presented on a combined basis; therefore, intra-Library transactions and balances have not been eliminated from this statement.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. 3511 or the standards developed by the Federal Accounting Standards Advisory Board (FASAB). As a legislative branch entity, the Library is not currently required to prepare general purpose financial reports and is not subject to any requirements by the FASAB's sponsors to follow FASAB GAAP. However, for purposes of financial management and reporting, the Library has issued a regulation (LCR 1510), which adopts FASAB standards for financial reporting and internal controls in a manner consistent with a legislative agency, and insofar as practical, conforms to GAAP for federal agencies. The Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budgetary data into the overall federal government structure. The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers Financial Integrity Act, the Government Performance

and Results Act, and the GPRA Modernization Act, as these standards are not applicable to the Library. However, the Library uses these sources as guidance and reference in its operations.

The statements include 4 (4) appropriated fund accounts; 26 (26) revolving (and gift revolving) funds; 24 (26) reimbursable funds; 105 (105) TFB funds; and 138 (136) gift funds for fiscal year 2011 (and 2010, respectively).

C. Basis of Accounting

In accordance with LCR 1510, the Library's financial statements conform to accounting principles generally accepted in the United States of America as promulgated by FASAB. Although the FASAB sponsors do not prescribe accounting standards for the legislative branch, the American Institute of Certified Public Accountants has designated FASAB Standards as GAAP for federal reporting entities and these are appropriate accounting standards for legislative agencies to adopt when preparing GAAP-based general purpose financial statements.

The statements were also prepared based on guidance published in the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements. The Library is not required to adopt this circular, and accordingly has elected to use the disclosures management deems necessary for the fair presentation of financial statement information.

The accounting structure of the Library is designed to reflect both accrual and budgetary accounting. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The budgetary accounting, on the other hand, is designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The budgetary accounting facilitates compliance with legal constraints on and controls over the use of federal funds.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

D. Revenues and Other Financing Sources

Appropriations

The Library receives the majority of its funding to support its programs through four appropriations that include both annual and no-year funding. The appropriated funds may be used, within statutory limits, for operating and capital expenditures including equipment, furniture and furnishings. Appropriations are recognized as revenues at the time they are expended. The four appropriations for fiscal year 2011 are:

- Library of Congress, Salaries and Expenses (annual and no-year)
- Copyright Office, Salaries and Expenses (annual and no-year)
- Congressional Research Service, Salaries and Expenses (annual)
- National Library Service for the Blind and Physically Handicapped, Salaries and Expenses (annual and no-year)

Earned Revenues

Additional amounts are obtained through reimbursements from services performed for other federal agencies as authorized by the Economy Act and the Library's annual appropriations legislation. In addition, the Library operates several self-sustaining revolving funds that generate revenues from the sale of various products and services to the public and federal customers. Revolving and reimbursable fund revenue is recognized when goods have been delivered or services rendered.

Under the authority of 2 U.S.C. 182, the Cooperative Acquisitions Revolving Fund was established on October 1, 1997, and is the program under which the Library acquires foreign publications and research materials on behalf of

participating institutions on a cost-recovery basis (over time). 2 U.S.C. 182 was amended for the establishment of revolving funds for Audio-Visual Duplication Services, Gift Shop Operations, Decimal Classification, Document Reproduction and Microfilm Services, Special Events, FEDLINK and Federal Research Program.

- The Audio-Visual Duplication Services fund provides audio and video duplication and delivery services which are associated with the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia.
- The Decimal Classification fund performs decimal classification development.
- The Gift Shop fund operates a gift shop and other sales of items associated with collections, exhibits, performances, and special events at the Library.
- The Document Reproduction and Microfilm Services fund provides document reproduction and microfilming services.
- The Special Events fund performs services related to the hosting of special events and programs by the Librarian in Library facilities.
- The FEDLINK program is the program of the Library under which procurement of publications and library support services, along with related accounting, education and support services are provided to Federal Government or District of Columbia entities.
- The Federal Research Program provides research reports, translations and analytical studies for Federal Government or District of Columbia entities.

The revolving funds report, but are not required to recover, unreimbursed inter-entity costs (imputed costs).

Imputed Financing Sources

In accordance with FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 30, "Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts," the Library has recorded expenses for the material unreimbursed full costs of goods and services that it receives from other legislative branch agencies (i.e., the Architect of the Capitol and the Government Printing Office) and executive branch agencies (i.e., the Office of Personnel Management (OPM) and the Department of the Treasury). Since these costs are not actually paid to the other agencies, an imputed financing source is recorded to offset these costs that are financed by the other Federal agencies.

Donation and Interest Revenue

The Library receives monetary gifts from donors and receives interest on invested funds. The Library also receives gifts of donated property or services. The Library records these in-kind donations as donated revenue in the year earned and an offsetting expense in the same year.

During fiscal years 2011 and 2010, the Ad Council provided nearly all of the in-kind donations in the form of free advertising for America's Library web site. Several vendors provided in-kind donations for the Library's annual book festivals and several other meetings. Finally, at times, the Ira and Leonore Gershwin Trust Fund and Related Charitable Trust has provided in-kind materials and services to the Library.

Deferred Credits

The Library received gifts subject to certain conditions being met. These are not considered earned until the conditions are met, and are recorded as deferred credits until earned.

E. Gift and TFB Funds

The Library administered gift and TFB funds with combined asset value of approximately \$148.1 million and \$156.8 million during fiscal years 2011 and 2010, respectively. Funds are restricted as to their use, which must be in accordance with the terms of the gift agreement. In general, TFB funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on TFB funds by the terms of an agreement or donor's will. Library fund managers administer and oversee the gift and TFB funds to ensure they are used as directed by the donors and in accordance with Library policy.

F. Fund Balance with Treasury

The amount shown as Fund Balance with Treasury represents the balances of the appropriated, reimbursable, gift and TFB funds, revolving, and deposit funds that are on deposit with the U.S. Treasury.

G. Cash and Other Monetary Assets

Cash and other monetary assets are defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand and imprest funds.

The Library receives and utilizes foreign currencies in carrying out operations abroad as it conducts business through six overseas offices. Foreign currency balances at year-end are immaterial to the financial statements.

H. Investments (Net)

Gift and TFB Funds - The TFB determines the investment policy for the Library's gift and TFB funds. The policy provides three options for investment of TFB funds:

- A permanent loan with the U.S. Treasury
- A pool of U.S. Treasury market-based securities
- A private investment pool consisting of the following stock, index and money market funds utilized during fiscal year 2011:
 - Frontier Capital Management Co.
 - Legg Mason Global Opportunities Bond Fund
 - Diamond Hill Large Cap Value
 - Dodge & Cox Income Fund
 - Dodge & Cox Stock Fund
 - Managers Cadence Capital Appreciation Fund
 - Harbor Capital Appreciation Fund
 - Artio International Equity Fund
 - Lazard Emerging Markets Fund
 - Neuberger Berman Large Cap Disciplined Growth Fund
 - PIMCO Total Return Fund
 - Vaughn Nelson Small/Mid Cap Value

and utilized during fiscal year 2010:

- Vanguard Institutional Index Fund
- Diamond Hill Large Cap Value
- Dodge & Cox Income Fund
- Dodge & Cox Stock Fund
- Managers Cadence Capital Appreciation Fund
- Harbor Capital Appreciation Fund
- Artio International Equity Fund
- Lazard Emerging Markets Fund
- Neuberger Berman Large Cap Disciplined Growth Fund
- PIMCO Total Return Fund
- Vaughn Nelson Small/Mid Cap Value

The policy for gift funds allows only for investment in U.S. Treasury market-based securities.

Under 2 U.S.C. 158, up to \$10 million of the Library's gift and TFB funds may be invested with the U.S. Treasury as a permanent loan at a floating rate of interest, adjusted monthly, but no less than four percent per annum. The permanent loan is an interest bearing investment recorded at cost, which is market value.

Treasury securities are intended to be held to maturity, are valued at cost, and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method.

Stock and money market funds are stated at current market value and are considered available for sale. Unrealized gains and losses are recognized and recorded as a component of non-exchange revenue in the statement of changes in net position.

All gift and TFB fund investments are obtained and held by the gift and TFB funds under conditions set forth in the respective gift and TFB instruments.

Deposit Funds - Pursuant to Public Law 105-80, funds deposited by copyright applicants are invested, based on the unearned balance available, by the Copyright Office in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until the deposit fees are earned and income accrues to the benefit of the Copyright Office.

I. Accounts Receivable

Accounts receivable primarily resulted from billings to other federal agencies under reimbursable interagency agreements for database retrieval and other library services. The Library has established an allowance for doubtful accounts against accounts receivable due from non-federal customers, based on past collection experience. The Library does not record allowance for doubtful accounts for intragovernmental accounts receivable in accordance with SFFAS No. 1, "Accounting for Selected Assets and Liabilities," which cites that "losses on receivables should be recognized when it is more likely than not that the receivable will not be totally collected." Intragovernmental receivables are likely to be totally collected.

J. Pledges Receivable

Contributions of unconditional promises to give (pledges) to the Library and the Library of Congress TFB are recognized as donated revenue in the period the pledge is received. They are recorded at their estimated present value using a market-based discount rate. Accretion of the discount in subsequent years is also recorded as donated revenue. Substantially all of the Library's pledges are from major corporations or donors. The Library regularly monitors the status of all pledges and adjusts accordingly; therefore no allowance for uncollectible pledges has been established.

K. Inventory and Related Property

The Library's inventories are primarily comprised of bibliographic products that will be consumed in future operations; materials used to reproduce printed materials; sound recordings for both internal and external sales; and sales shop merchandise for resale. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials are adjusted for the results of periodic physical counts.

L. Property and Equipment

The Library capitalizes furniture and equipment at cost if the initial acquisition cost is \$25,000 or more. Depreciation is computed on a straight-line basis using estimated useful lives.

Property and equipment accounts are maintained in three categories of funds: Appropriated, Reimbursable and Revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment purchased by the Integrated Support Services Administrative Working Fund are recorded in the reimbursable funds. Property and equipment purchased by FEDLINK, the Federal Research

Program, Document Reproduction and Microfilm Service, Audio-Visual Duplication Services, and the Cooperative Acquisitions Program are recorded in the revolving funds.

The Library occasionally acquires property and equipment by direct gift or by purchase from funds donated for a specific purpose or project. Because property is generally not restricted for use to gift and trust activities, property accounts are not maintained in the gift and TFB funds. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and TFB funds and transferred to the Library's appropriated fund, once the costs are complete and the property is placed in service. The Library records the donated property and equipment at its fair market value at the time of the gift.

Operating equipment is amortized over a 3 to 20-year period. Software includes ADP software purchased from outside vendors and software defined as "internal use software" in accordance with SFFAS No. 10, "Accounting for Internal Use Software." Software is recorded with an estimated useful life of three years or more and a value of at least \$100,000 per item acquired in fiscal years 1998 to 2010, or at least \$250,000 per item acquired in fiscal years 2011 and after.

Leased equipment meeting the criteria for capitalization in accordance with Statements of Federal Financial Accounting Standards is included in property and equipment.

Land and buildings are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center), a secondary storage facility at Fort Meade, Maryland, and the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia. The Architect receives an appropriation from Congress to fund maintenance, care and operations of the Library's buildings and grounds. Costs associated with the acquisition and maintenance of these buildings is accounted for by the Architect. However, the Library has recorded the inter-entity cost and related imputed financing source in its books. The Library does capitalize and depreciate leasehold improvements to its facilities as long as the improvements were made using the Library's funding sources and the acquisition cost is at least \$100,000.

M. Library Collections

The Library classifies its collections as Heritage Assets, that is, assets with historical, cultural, educational, artistic or natural significance. The Library's mission is to make its resources available and useful to the Congress and the American people and to sustain and preserve a universal collection of knowledge and creativity for future generations.

The Library's collection development policies are designed to fulfill its responsibilities to serve (1) the Congress and United States government as a whole, (2) the scholarly and library communities, and (3) the general public. Written collection policy statements ensure that the Library makes every effort to possess all books and library materials necessary to the Congress and various offices of the United States government to perform their duties; a comprehensive record, in all formats, documenting the life and achievement of the American people; and a universal collection of human knowledge embodying, primarily in print form, the records of other societies, past and present.

Copyright deposits are a major source of the Library's collections of Americana. The Library also acquires materials by purchase, transfer from other federal agencies, gift, domestic and international exchange, or by provisions of state and federal law. Many of these materials are foreign publications. Various preservation methods are used to maintain the collections, and disposals occur only for the exchange and gift of unwanted or duplicate copies. As of September 30, 2011 and 2010 the Library had 92 collections managed by its custodial units.

The cost of acquiring additions to the collections is expensed, when incurred, in the statement of net cost. (See note 12.) Supplemental information regarding the condition and preservation of the collections is included with the Assessment of Condition of Heritage Assets.

N. Liabilities

Liabilities represent the amounts that are likely to be paid by the Library as a result of transactions that have already occurred. Liabilities for which an appropriation has not been enacted, or which are the results of deposit account

activities, are classified as liabilities not covered by budgetary resources. For accrued unfunded annual leave, compensatory time earned, workers' compensation and capital lease liabilities, it is not certain that appropriations will be enacted to fund these amounts.

Advances from Others are funds received for the revolving programs that have not yet been earned.

Deposit Liabilities are customer funds on deposit for Copyright, Document Reproduction and Microfilm Services, and Cataloging Distribution Service products and services.

Accrued Annual and Compensatory Leave - The Library's basic leave policy is contained in Title 5, U.S.C. the Uniform Annual and Sick Leave Regulations of the Office of Personnel Management, and the decisions of the Comptroller General. Generally, each employee may carry forward a maximum of 240 hours of annual leave per calendar year. Annual leave is accrued as it is earned and the liability is adjusted at the end of each fiscal year based on annual leave earned and taken. Annual leave earned in excess of the maximum permitted carryover is forfeited. Each year, the balance in the accrued annual leave account is also adjusted to reflect current pay rates.

Employees' compensatory time earned but not taken is also accrued at year-end. An employee may accumulate a maximum of 40 hours of compensatory time during the fiscal year. Compensatory leave earned will remain on the employee's leave record for use up to a maximum of 26 pay periods from the pay period in which it was earned. Any compensatory leave not used beyond the 26 pay periods will be forfeited.

Sick leave and other types of non-vested leave are expensed as taken.

O. Federal Employee Retirement Benefits

The Library contribution costs (both funded and unfunded) to the various employee retirement programs are described below. The accrued funded contributions due at the end of the fiscal year are reported as liabilities covered by budgetary resources.

Approximately 22 percent and 24 percent of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2011 and 2010, respectively, to which the Library makes contributions equal to 7.0 percent of pay. Of those participating in CSRS, approximately 2 percent and 3 percent during fiscal years 2011 and 2010 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 75 percent and 73 percent of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2011 and 2010, respectively, to which the Library's normal contribution was 11.7 and 11.2 percent of pay during fiscal years 2011 and 2010. Additionally, for employees under FERS, the Library contributes an automatic 1% of employee's pay, plus matches employee Thrift Savings Plan (TSP) contributions up to four percent of pay (matched dollar-for-dollar on the first 3 percent of pay and 50 cents on the dollar for the next 2 percent of pay). Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share.

Approximately 3 percent of the Library's employees were covered only by FICA during fiscal years 2011 and 2010, to which the Library contributes the employer's matching share.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of Social Security, FERS and CSRS is not allocated to individual Federal departments and agencies. In accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," current year expenses were recorded for the service cost of the Library's employee retirement benefits during fiscal years 2011 and 2010. The implementation of SFFAS 33, "Pensions, Other Retirement Benefits and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates", in fiscal year 2010 resulted in significant changes to the actuarial assumptions primarily affecting retirement benefit service costs. For fiscal years 2011 and 2010, the service cost factor was 30.1 and 13.8 percent for CSRS and FERS, respectively. The service cost factor is applied to the annualized employee pay, less the Library's funded

contributions, to derive the imputed retirement pension cost being financed directly by OPM. This unfunded cost was offset by an imputed financing source.

P. Federal Government Transactions

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity. The financial statements do not contain the cost of activities performed for the benefit of the entire government, nor do they include the agency's share of the federal deficit or of public borrowings, including interest thereon. However, expenses have been recognized for expenses incurred by certain other agencies on behalf of the Library, including settlement of claims and litigation paid by the Treasury's Judgment Fund and the partial funding of employee benefits by OPM.

The Library's program for the blind and physically handicapped participates in the U.S. Postal Service's (USPS) "Matter for Blind and Other Handicapped Persons" program (39 U.S.C. 3403 - 3406). This Postal Service program receives an appropriation from Congress to provide free postage for qualifying organizations, programs, and individuals such as mail from war zones, letters from blind people to anyone, and organizations that work for the blind. The Library's National Library Service for the Blind and Physically Handicapped uses this free matter program for mailing all books and equipment to its participating lending libraries and patrons. No cost for this has been determined, nor included in the Library's financial statements as the Library views the relationship with the USPS and state and local libraries as a partnership and not inter-entity costs.

Services Provided to other Federal Agencies:

- The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other data base retrieval services through data base vendors and in-house research studies. These services are provided on a cost reimbursement basis and are billed in advance of providing the services. At year-end the Library estimates the amount received in advance (Advances From Others - Intragovernmental) and the amount to be received for services provided (Accounts Receivable - Intragovernmental).
- The Library is authorized to provide to other legislative branch agencies accounting services and/or financial system hosting services. These services are provided on a cost reimbursement basis in accordance with the Economy Act.

Services Provided by other Federal Agencies:

Three governmental agencies provide administrative services to the Library on a reimbursable basis.

- The Department of Agriculture's National Finance Center (NFC) processes the Library's personnel, payroll, and employee benefits accounting transactions.
- The Library utilizes the services of the Department of State as documented by the International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices.
- General Services Administration (GSA) provides building and vehicle leasing services for the Library.

Q. Related Party Organizations

The Library lends support to several related organizations, projects, and programs from which it receives benefits in various forms. The following is a list of these organizations or programs:

1. **Telephone Pioneers of America** - The Telephone Pioneers is a large industry-related organization that voluntarily repairs sound reproduction machines for the blind and physically handicapped program.

Approximately 1,500 Telephone Pioneers (AT&T retirees) and Elfuns (General Electric retirees) donate their time to repair the machines.

2. **Library of Congress Child Care Association (LCCCA)** - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street, District of Columbia. The center provides childcare for Library employees and other federal and non-federal employees. Its operations, management, and employees are the responsibility of the LCCCA and not the Library. However, the Library and the Architect of the Capitol support the center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. In addition, the Library, in accordance with Public Law 106-554, pays the government contributions for individuals receiving health, life and retirement benefits provided by the Office of Personnel Management. The Library provides an official who is a non-voting representative on the center's Board of Directors and who acts as a liaison with the Library.
3. **The Archer M. Huntington Charitable Trust** - This charitable trust was established in 1936 and is controlled and invested by the Bank of New York. The assets of the endowment are not a part of the TFB and the board's only control over its investment activities is through the Librarian of Congress' role as trustee. The trust is defined as a split-interest agreement with a fair value of assets of \$3.9M and \$4.4M at September 30, 2011 and 2010, respectively. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultantship to bring "distinguished men of letters . . ." to the Library. Currently, the income assists in the funding of a "poet laureate" position, the acquisition of materials for the Library's Hispanic collections, and the promotion of activities of the Hispanic Division, particularly those that relate to Spain, Portugal and Latin America.
4. **Ira and Leonore Gershwin Trust Fund and Related Charitable Trust** - Under the will of Mrs. Leonore Gershwin, the TFB is the beneficiary of 37.5 percent of Mrs. Gershwin's "1987 Trust." The will established the "Library Charitable Trust" which was accepted by the TFB in January 1992. The primary purpose of the trust is to perpetuate the name and works of George and Ira Gershwin through all resources of the Library. The charitable trust does not belong to the Library but is a separate entity administered by trustees. The net income of the charitable trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund yearly or upon request by the Library. The balance of the Principal of the charitable trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin.

NOTE 2	FUND BALANCE WITH TREASURY
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A. Fund balance with Treasury at September 30, 2011 and 2010, is summarized as follows:

	(in thousands)	
	FY 2011	FY 2010
Appropriated Funds	\$ 233,381	\$ 248,364
Revolving and Reimbursable Funds	83,326	84,821
Gift and TFB Funds ¹	16,549	15,675
Deposit and Other Funds	1,422	1,557
TOTAL	\$ 334,678	\$ 350,417

¹ At September 30, 2011 and 2010, the gift and TFB fund balance with Treasury included \$10 million invested in the permanent loan, which is included in fund balance with Treasury, at interest rates of 4.00 and 4.02 percent, respectively.

B. Status of Fund Balance with Treasury

	(in thousands)	
	FY 2011	FY 2010
Unobligated Balances – Available	\$ 42,425	\$ 33,806
Unobligated Balances – Unavailable	27,102	28,846
Obligated Balances Not Yet Disbursed	263,729	286,208
Non-budgetary	1,422	1,557
TOTAL	\$ 334,678	\$ 350,417

NOTE 3	INVESTMENTS, NET
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Investments at September 30, 2011 and 2010 are as follows:

	(in thousands)		
FY 2011	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 45,507	\$	\$ 45,507
Cost		83,389	83,389
Unamortized Premium	(0)		(0)
Unrealized Discount	(1)		(1)
Interest Receivable	0		0
Investments, Net	\$ 45,506	\$ 83,389	\$ 128,895
Market Value	\$ 41,060	\$ 80,583	\$ 121,643

(in thousands)

FY 2010	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 42,594	\$	\$ 42,594
Cost		84,761	84,761
Unamortized Premium	(0)		(0)
Unrealized Discount	(11)		(11)
Interest Receivable	0		0
Investments, Net	\$ 42,583	\$ 84,761	\$ 127,344
Market Value	\$ 42,583	\$ 84,979	\$ 127,562

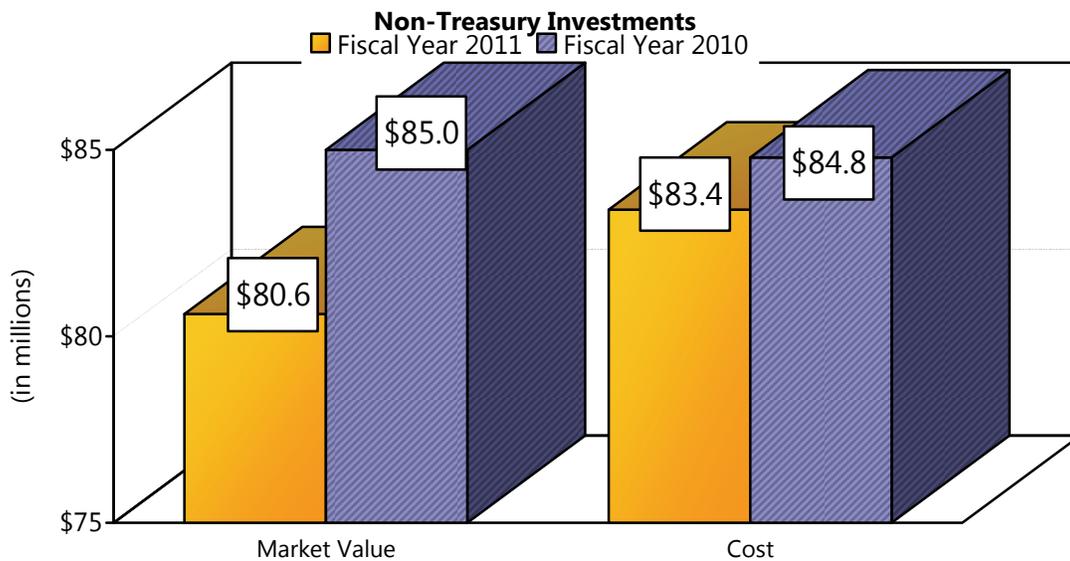
A. Intragovernmental Investments

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. TFB fund investment maturity dates for fiscal years 2011 and 2010 range from October 6, 2011 to March 1, 2012 and October 7, 2010 to March 11, 2011, respectively, and interest rates for the same fiscal years range from .005 percent to .045 percent and .12 percent to .19 percent, respectively.

B. Other Investments

Other investments are the Library's non-Treasury investments in the private sector (See Note 1.H). Cost was derived from the investments made plus reinvested gains, dividends, and interest.

Balances at September 30, 2011 and 2010 are as follows:



NOTE 4	RECEIVABLES
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The breakdown of consolidated gross and net accounts receivable at September 30, 2011 and 2010 are as follows:

A. Accounts Receivable

	(in thousands)	
	FY 2011	FY 2010
Intragovernmental Accounts Receivable, Gross and Net	\$ 14,388	\$ 11,848
With the Public:		
Accounts Receivable, Gross	330	349
Less: Allowance for Doubtful Accounts	(73)	(14)
Accounts Receivable, Net	\$ 257	\$ 335

B. Pledges Receivable

At September 30, 2011 and 2010, the Library had unconditional pledges of contributions totaling \$26.0 million and \$19.9 million, which were discounted through fiscal years 2033 at market discount rates and included in the statement of financial position at their discounted value of \$10.2 million and \$19.2 million, respectively.

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

	(in thousands)	
	FY 2011	FY 2010
2011	\$ -	\$ 10,584
2012	4,821	5,154
2013	1,300	981
2014	1,248	963
2015	224	0
2016 and thereafter	2,569	1,526
TOTAL	\$ 10,162	\$ 19,208

NOTE 5	PROPERTY AND EQUIPMENT
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Property and equipment that were capitalized at September 30, 2011 and 2010 are as follows:

(in thousands)

Classes of Property and Equipment	FY 2011			FY 2010		
	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Operating Equipment	\$ 76,793	\$ 57,099	\$ 19,694	\$ 67,575	\$ 52,283	\$ 15,292
Software	63,542	38,219	25,323	59,385	32,063	27,322
Furniture & Furnishings	1,919	824	1,095	2,224	937	1,287
Leasehold Improvements	37,689	18,241	19,448	37,483	15,828	21,655
Leasehold Improvements-in Progress	2,364	0	2,364	1,459	0	1,459
TOTAL	\$ 182,307	\$ 114,383	\$ 67,924	\$ 168,126	\$ 101,111	\$ 67,015

NOTE 6	NON-ENTITY ASSETS
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Entity assets are those assets that the Library has authority to use for its operations. Non-entity assets are those held by the Library but are not available for use in its operations.

(in thousands)

	FY 2011	FY 2010
Intragovernmental Non-Entity Assets	\$ 0	\$ 0
Accounts Receivable-with the Public	17	24
Total Non-Entity Assets	\$ 17	\$ 24
Total Entity Assets	\$ 554,669	\$ 578,799
Total Assets	\$ 554,686	\$ 578,823

NOTE 7	LEASES
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A. Capital Leases

The Library did not have assets under capitalized leases as of September 30, 2011 and 2010.

B. Operating Leases

The Library leases office space and vehicles from the General Services Administration and has entered into other operating leases for various types of equipment. Additionally, the Library's overseas field offices lease operating space from the Department of State.

Lease costs for office space, vehicles and equipment for fiscal years 2011 and 2010 amounted to \$4,966,934 and \$4,572,895 respectively.

Under existing commitments as of September 30, 2011 estimated future minimum lease payments are as follows:

	(in thousands)	
	FY 2011	FY 2010
2011	\$ 0	\$ 5,391
2012	5,051	261
2013	2,044	160
2014	2,017	117
2015	1,933	12
2016 and thereafter	676	0
TOTAL ESTIMATED FUTURE LEASE PAYMENTS	\$ 11,721	\$ 5,941

NOTE 8	WORKERS' COMPENSATION
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The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Library employees under FECA are administered by the Department of Labor (DOL) and later billed to the Library.

The Library is using estimates provided by DOL to report the FECA liability. The Library accrued \$1,922,048, and \$1,755,799 of unbilled or unpaid workers' compensation costs as of September 30, 2011 and 2010, respectively. The amount owed to DOL is reported on the Library's Balance Sheet as an intragovernmental liability. The Library also established an estimated unfunded liability payable to employees, for future costs based on historical claims rates. The estimated future unfunded liability is \$7,895,911, and \$7,461,253 as of September 30, 2011 and 2010 respectively, and is based on a ten-year projection. This liability is recorded on the Balance Sheet as a liability with the public.

NOTE 9	CONTINGENT LIABILITIES
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Several claims against the Library relating to employment matters are pending at the administrative level or in court. The combined estimated loss for these claims may range up to \$4 million. While the resolution of claims cannot be predicted with certainty, management has evaluated these claims and believes that the chance of a materially adverse outcome for them is less than probable. Therefore, an accounting entry for the estimate was not posted and there is no impact on the financial statements. Management believes all other claims are immaterial with respect to the Library's financial statements. Under law, any claims finally adjudicated or settled at the administrative level would be paid from the Library's funds and any claims litigated in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

NOTE 10	OTHER LIABILITIES
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Other Liabilities as of September 30, 2011 and 2010 are comprised of the following:

(in thousands)		
	FY 2011	FY 2010
Other Liabilities-Intragovernmental:		
Deferred Credits	\$ (22)	\$ (16)
Liability for Clearing Accounts	363	146
Total Intragovernmental	341	130
Other Liabilities-With the Public		
Deferred Credits and Pledges	47	461
Advances from the Public	4,262	4,830
Total with the Public	4,309	5,291
TOTAL	\$ 4,650	\$ 5,421

NOTE 11	LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES
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(in thousands)		
	FY 2011	FY 2010
Liabilities Covered by Budgetary Resources	\$ 128,302	\$ 126,449
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental	1,922	1,756
With the Public	33,873	33,756
TOTAL	\$ 164,097	\$ 161,961

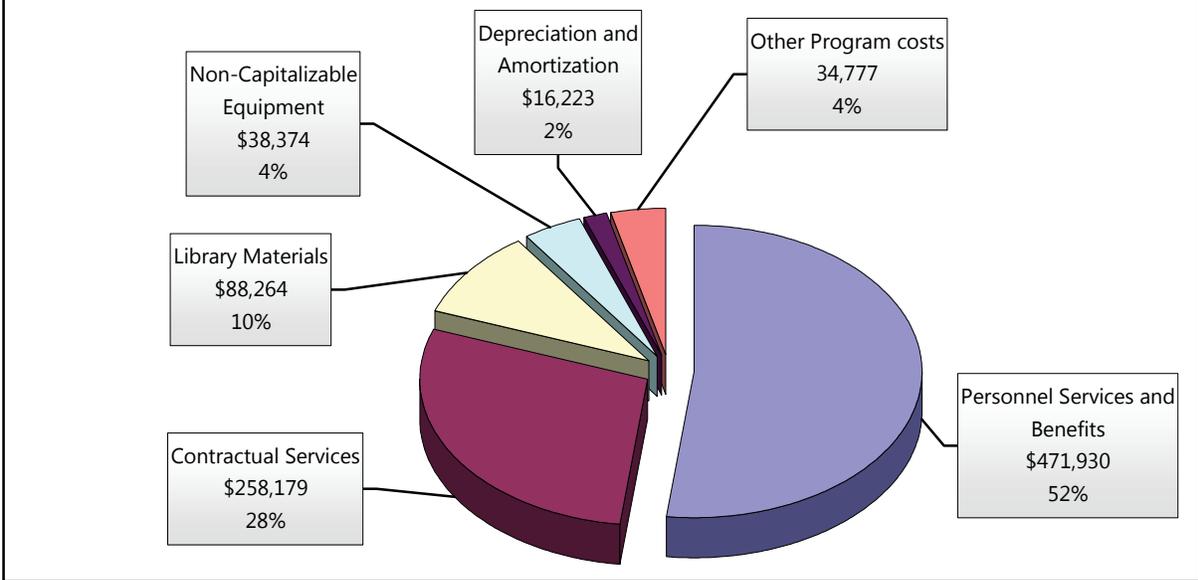
Liabilities covered by budgetary resources include accounts payable, advances from others, accrued funded payroll and benefits, custodial liabilities, deposit account liabilities, advances from the public, and deferred credits.

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

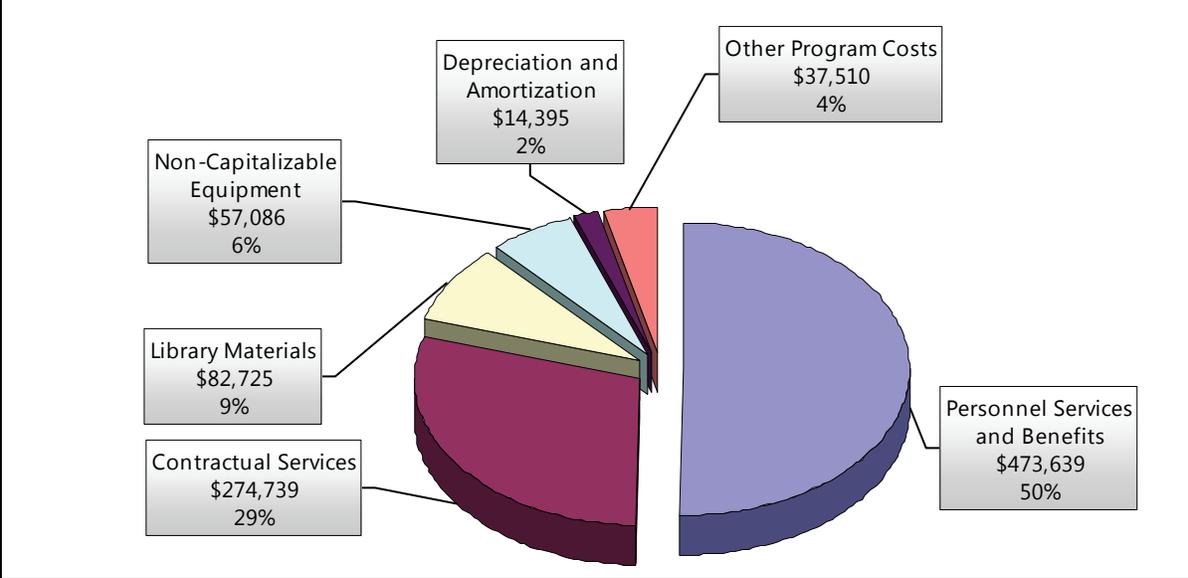
NOTE 12 **PROGRAM COSTS BY BUDGET OBJECT CLASSIFICATION**

(Dollars in Thousands)

FY 2011 Program Costs by Budget Object Classification



FY 2010 Program Costs by Budget Object Classification



The Library’s collections are classified as “heritage assets.” \$33.1 million and \$27.3 million of the amount designated as “Library Materials” above represents the fiscal years 2011 and 2010 cost incurred by the Library for “heritage assets.”

NOTE 13	PROGRAM COSTS AND EARNED REVENUE BY FUNCTIONAL CLASSIFICATION
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A. Program Costs by Functional Classification

(in thousands)		
	FY 2011	FY 2010
Commerce and Housing Credit	\$ 61,949	\$ 64,908
Education, Training, Employment, and Social Services	725,288	750,652
General Government	120,510	124,534
TOTAL	\$ 907,747	\$ 940,094

B. Earned Revenue by Functional Classification

(in thousands)		
	FY 2011	FY 2010
Commerce and Housing Credit	\$ 32,692	\$ 38,473
Education, Training, Employment, and Social Services	97,060	98,626
General Government	(6)	6
TOTAL	\$ 129,746	\$ 137,105

NOTE 14	EXCHANGE REVENUES
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In accordance with Library of Congress Regulation (LCR) 1510, Financial Services, the Library must comply with any OMB circular or bulletin if it is specifically prescribed in (1) an LCR, (2) an OCFO Directive, or (3) if required by law. OMB Circular No. A-25, User Charges, does not fall into any of these three categories, but may be used by the Library as a useful point of reference. Circular No. A-25 requires that user charges be sufficient to recover the full costs to the federal government. Full costs include all direct and indirect costs to any part of the federal government of providing the good or service, including unreimbursed inter-entity costs.

Were the Library to increase fees and prices to recover full costs to the government for providing goods and services in its business-like activities, this would in some cases reduce the quantity of goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue foregone from charging fees that do not recover full costs to the government and (2) to what extent the quantity of goods and services demanded would change as a result of changes in prices and fees.

Under the Copyright Act, the Copyright Office is required to collect fees. The Act does not require the recovery of the full costs of operations, but rather the Copyright Register is authorized to fix fees at a level not more than necessary to recover reasonable costs incurred for services plus a reasonable adjustment for inflation. Fees should also be fair and equitable and give due consideration to the objectives of the copyright system.

NOTE 15	PROGRAM COSTS AND EARNED REVENUE FOR REVOLVING FUNDS
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		(in thousands)	
		FY 2011	FY 2010
Audio-Visual Duplication Services:	Program Cost	\$ 193	\$ 185
	Less: Earned Revenue	(114)	(117)
	Net Program Cost	79	68
Cooperative Acquisitions Program:	Program Cost	2,793	2,648
	Less: Earned Revenue	(3,316)	(2,867)
	Net Program Cost	(523)	(219)
Decimal Classification:	Program Cost	182	212
	Less: Earned Revenue	(205)	(170)
	Net Program Cost	(23)	42
Document Reproduction and Microfilm Services:	Program Cost	1,253	1,987
	Less: Earned Revenue	(1,055)	(1,033)
	Net Program Cost	198	954
Gift Shop Operations:	Program Cost	1,784	1,659
	Less: Earned Revenue	(1,684)	(1,726)
	Net Program Cost	100	(67)
Federal Research Program:	Program Cost	2,980	2,835
	Less: Earned Revenue	(3,205)	(3,184)
	Net Program Cost	(225)	(349)
FEDLINK:	Program Cost	78,276	81,970
	Less: Earned Revenue	(78,679)	(82,282)
	Net Program Cost	(403)	(312)
Special Events:	Program Cost	2,526	2,645
	Less: Earned Revenue	(1,802)	(1,344)
	Net Program Cost	724	1,301
Total Program Cost		89,987	94,141
Less: Total Earned Revenue		(90,060)	(92,723)
TOTAL PROGRAM COSTS		\$ (73)	\$ 1,418

These programs are discussed further in Note 1.D.

NOTE 16	CLASSIFICATION OF PROGRAM COSTS
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(in thousands)

FY 2011	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$ 130,478	\$ 26	346,827	\$ 63	477,394
Law Library	7,450	1	17,694		25,145
Copyright Office	20,247	14	55,902		76,163
Congressional Research Service	32,252	21	109,060		141,333
National Library Service for the Blind and Physically Handicapped	7,345	5	73,213		80,563
Revolving and Reimbursable Funds	6,686	17	100,446		107,149
TOTAL	\$ 204,458	\$ 84	\$ 703,142	\$ 63	\$ 907,747

(in thousands)

FY 2010	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$ 126,123	\$ 54	\$ 359,119	\$ 35	\$ 485,331
Law Library	7,342	2	18,133		25,477
Copyright Office	19,934	16	61,376		81,326
Congressional Research Service	32,774	30	115,620		148,424
National Library Service for the Blind and Physically Handicapped	6,029	7	83,365		89,401
Revolving and Reimbursable Funds	4,674	33	105,428		110,135
TOTAL	\$ 196,876	\$ 142	\$ 743,041	\$ 35	\$ 940,094

NOTE 17**EARMARKED FUNDS**

SFFAS No. 27, "Identifying and Reporting Earmarked Funds," defines "earmarked funds" as those being financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues. The Library's consolidated financial statements include the results of operations and financial position of its funds identified as "earmarked funds." The Library's earmarked funds are presented among the following classifications:

- Collections of fees authorized annually for use by appropriations act for:
 - The Cataloging Distribution Service (CDS), the distribution arm for the Library of Congress bibliographic data and related technical publications. Pursuant to 2 U.S.C. 150, CDS sells its products to libraries throughout the United States and around the world and charges "...a price which will cover their costs plus ten per centum added." CDS earned revenues were \$3,604,558 and \$3,528,043 for fiscal years 2011 and 2010, respectively.
 - The Law Library, pursuant to Public Law 105-275, Section 208, is authorized to receive funds from participants in and sponsors of an international legal information database (known as the Global Legal Information Network (GLIN)) led by the Law Library of Congress. Fees collected for the development and maintenance of GLIN were \$15,000 and \$15,000 for fiscal years 2011 and 2010, respectively; and
 - The Copyright Office, pursuant to 17 U.S.C. 708(d), is authorized to collect fees for the registration of a copyright claim and other copyright recordation and filing activities. Fees collected for these services were \$27,358,753 and \$27,798,705 for fiscal years 2011 and 2010, respectively.
 - The Recycling Program, pursuant to Public Law 108-199, Section 607, is authorized to collect funds resulting from the sale of materials recovered through the recycling program. Fees collected for the program were \$20,932 and \$12,203 for fiscal years 2011 and 2010, respectively.
- Public Revolving Funds authorized by 2 U.S.C. 182 for the Cooperative Acquisitions, Audio-Visual Duplication Services, Gift Shop Operations, Decimal Classification, Document Reproduction and Microfilm Services, and Special Events (these programs are discussed further in Note 1.D. and 15);
- Gift and TFB Funds authorized by 2 U.S.C. 154-163 (and discussed further in Note 1.E.). Gift and TFB Fund cash donations and other realized revenues were \$8,709,280 and \$21,277,082 for fiscal years 2011 and 2010, respectively;
- Copyright Licensing Division, \$5,326,435 and \$5,658,800 for the fiscal years 2011 and 2010, respectively, which is authorized under the Copyright Act (17 U.S.C.) to collect fees to cover and pay administrative costs and
- Other earmarked funds not outlined above (combined revenues of \$1,126 and \$7,685 for fiscal years 2011 and 2010, respectively), including: The Oliver Wendell Holmes Devise Fund, which is authorized to fund lectures known as the "Oliver Wendell Holmes Lectures" and other projects pertaining to Justice Holmes or the Supreme Court (Pursuant to Public Law 84-247); The Gertrude M. Hubbard Bequest, which benefits the Gardiner Greene Hubbard Collection (Pursuant to 37 Stat. 319-20); and the Foreign Service National Separation Liability Trust Fund, which is authorized to provide the separation pay for foreign national employees (Pursuant to Section 151 of Public Law 102-138).

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with earmarked funds. The cash receipts collected from the public for an earmarked fund are deposited into the U.S. Treasury, which uses the cash for general Government purposes. Treasury securities are issued to the Library as evidence of its receipts. Treasury securities are an asset to the Library and a liability to the U.S. Treasury. Because the Library and the U.S. Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury Securities provide the Library with authority to draw upon the U.S. Treasury to make future expenditures. When the Library requires redemption of these securities to make

expenditures, the Government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way the Government finances all other expenditures.

Fiscal data as of, and for the year ended September 30, 2011 is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

(in thousands)

FY 2011	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Other Earmarked Funds	Total Earmarked Funds
Balance Sheet:					
Fund Balance with Treasury	\$ 15,384	\$ 8,671	\$ 15,163	\$ 1,386	\$ 40,604
Investments in U.S. Treasury Securities	0	0	40,055	50	40,105
Other Assets	7,620	614	92,732	0	100,966
Total Assets	\$ 23,004	\$ 9,285	\$ 147,950	\$ 1,436	\$ 181,675
Liabilities					
Liabilities	\$ 5,012	\$ 4,417	\$ 958	\$ 0	\$ 10,387
Cumulative Results of Operations	17,992	4,868	146,992	1,436	171,288
Total Liabilities and Net Position	\$ 23,004	\$ 9,285	\$ 147,950	\$ 1,436	\$ 181,675
Statement of Net Cost:					
Program Costs	40,399	\$ 9,557	\$ 15,281	\$ 5,397	\$ 70,634
Less: Earned Revenue	(30,999)	(9,886)	(1,087)	(5,326)	(47,298)
Net Cost of Operations	\$ 9,400	\$ (329)	\$ 14,194	\$ 71	\$ 23,336
Statement of Changes in Net Position:					
Net Position, Beginning	\$ 24,008	\$ 3,769	\$ 156,137	\$ 1,300	\$ 185,214
Net Cost	(9,400)	329	(14,194)	(71)	(23,336)
Non-Exchange Revenues and Donation Receipts	0	0	4,668	1	4,669
Other Financing Sources	3,384	770	381	206	4,741
Change in Net Position	(6,016)	1,099	(9,145)	136	(13,926)
Net Position, Ending	\$ 17,992	\$ 4,868	\$ 146,992	\$ 1,436	\$ 171,288

Fiscal data as of, and for the year ended September 30, 2010 is summarized below.

(in thousands)

FY 2010	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Other Earmarked Funds	Total Earmarked Funds
Balance Sheet:					
Fund Balance with Treasury	\$ 18,905	\$ 7,760	\$ 14,442	\$ 1,233	\$ 42,340
Investments in U.S. Treasury Securities	0	0	37,056	67	37,123
Other Assets	10,678	757	106,138	0	117,573
Total Assets	\$ 29,583	\$ 8,517	\$ 157,636	\$ 1,300	197,036
Liabilities					
Liabilities	\$ 5,575	\$ 4,748	\$ 1,499	\$ 0	\$ 11,822
Cumulative Results of Operations	24,008	3,769	156,137	1,300	185,214
Total Liabilities and Net Position	\$ 29,583	\$ 8,517	\$ 157,636	\$ 1,300	\$ 197,036
Statement of Net Cost:					
Program Costs	\$ 34,048	\$ 9,896	\$ 15,053	\$ 5,715	\$ 64,712
Less: Earned Revenue	(31,354)	(9,082)	(1,185)	(5,659)	(47,280)
Net Cost of Operations	\$ 2,694	\$ 814	\$ 13,868	\$ 56	\$ 17,432
Statement of Changes in Net Position:					
Net Position, Beginning	\$ 24,340	\$ 3,336	\$ 144,772	\$ 1,071	\$ 173,519
Net Cost	(2,694)	(814)	(13,868)	(56)	\$ (17,432)
Non-Exchange Revenues and Donation Receipts	0	0	16,656	8	16,664
Other Financing Sources	2,362	1,247	8,577	277	12,463
Change in Net Position	(332)	433	11,365	229	11,695
Net Position, Ending	\$ 24,008	\$ 3,769	\$ 156,137	\$ 1,300	\$ 185,214

NOTE 18	BUDGETARY RESOURCES
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Budgetary resources are classified as follows:

(in thousands)

	FY 2011			FY 2010		
	Appropriated Capital	Non- Appropriated Capital	Combined	Appropriated Capital	Non- Appropriated Capital	Combined
<i>Budgetary Resources:</i>						
Unobligated Balance, Brought Forward, October 1	\$ 25,895	\$ 64,175	\$ 90,070	\$ 42,871	\$ 1,248,129	\$ 1,291,000
Recoveries of Prior-Year Obligations	9,643	12,024	21,667	19,143	15,289	34,432
<i>Budget Authority:</i>						
Appropriation	629,936	23,839	653,775	643,337	24,001	667,338
<i>Spending Authority from Offsetting Collections:</i>						
<i>Earned:</i>						
Collected	359	141,849	142,208	281	150,712	150,993
Change in Receivables from Federal Sources	(222)	944	722	(242)	1,037	795
<i>Change in Unfilled Customer Orders:</i>						
Advances Received		(116)	(116)	0	(3,808)	(3,808)
Without Advances from Federal Sources		1,243	1,243	0	(767)	(767)
Expenditure Transfers from Trust Funds						
Subtotal Budget Authority	630,073	167,759	797,832	643,376	171,175	814,551
Nonexpenditure Transfers, Net	(76)		(76)	(1,137)	0	(1,137)
Temporarily Not Available Pursuant to Public Law						
Permanently Not Available	(9,195)	(232)	(9,427)	(7,190)		(7,190)
Total Budgetary Resources	\$ 656,340	\$ 243,726	\$ 900,066	\$ 697,063	\$ 1,434,593	\$ 2,131,656
<i>Status of Budgetary Resources:</i>						
<i>Obligations Incurred:</i>						
Direct	\$ 626,983	\$ 23,664	\$ 650,647	\$ 671,168	\$ 1,205,636	\$ 1,876,804
Reimbursable		149,712	149,712		164,782	164,782
Total Obligations Incurred	626,983	173,376	800,359	671,168	1,370,418	2,041,586
Unobligated Balance (Exempt from Apportionment)	12,897	69,701	82,598	7,941	63,275	71,216
Unobligated Balance – Not Available	16,460	649	17,109	17,954	900	18,854
Total Status of Budgetary Resources	\$ 656,340	\$ 243,726	\$ 900,066	\$ 697,063	\$ 1,434,593	\$ 2,131,656

(in thousands)

	FY 2011			FY 2010		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
Change in Obligated Balance:						
<i>Unpaid Obligated Balance, Net, Brought Forward, October 1:</i>						
Unpaid Obligations, Brought Forward	\$ 222,756	\$ 75,721	\$ 298,477	\$ 207,917	\$ 70,096	\$ 278,013
Less: Uncollected Customer Payments, Brought Forward	(248)	(12,273)	(12,521)	(490)	(12,002)	(12,492)
Total Unpaid Obligation Balance, Net	222,508	63,448	285,956	207,427	58,094	265,521
Obligations Incurred, net	626,983	173,376	800,359	671,168	1,370,418	2,041,586
Less: Gross Outlays	(636,010)	(162,975)	(798,985)	(637,186)	(1,349,504)	(1,986,690)
Less: Recoveries of Prior-Year Unpaid Obligations	(9,643)	(12,024)	(21,667)	(19,143)	(15,289)	(34,432)
Change in Uncollected Customer Payments from Federal Sources	222	(2,187)	(1,965)	242	(271)	(29)
<i>Total Unpaid Obligated Balance, Net:</i>						
Unpaid Obligations	204,086	74,098	278,184	222,756	75,721	298,477
Less: Uncollected Customer Payments from Federal Sources	(26)	(14,460)	(14,486)	(248)	(12,273)	(12,521)
Total Unpaid Obligated Balance, Net, End of Period	\$ 204,060	\$ 59,638	\$ 263,698	\$ 222,508	\$ 63,448	\$ 285,956
Net Outlays:						
Gross Outlays	\$ 636,010	\$ 162,975	\$ 798,985	\$ 637,186	\$ 1,349,504	\$ 1,986,690
Less: Offsetting Collections	(359)	(141,733)	(142,092)	(281)	(146,904)	(147,185)
Less: Distributed Offsetting Receipts	0	(216)	(216)	0	(1,471)	(1,471)
Total Net Outlays	\$ 635,651	\$ 21,026	\$ 656,677	\$ 636,905	\$ 1,201,129	\$ 1,838,034

For TFB funds, approximately \$10.2 and \$10.1 million of unobligated authority for fiscal years 2011 and 2010, respectively, at the donor's request, is restricted from being spent on program costs (income from investing restricted donations under the Library's Total Return Policy can be spent on program costs). These amounts are invested either in the permanent loan or in Treasury securities. An additional \$53.2 and \$53.2 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2011 and 2010, respectively.

Undelivered orders, end of period:

(in thousands)

	FY 2011	FY 2010
Paid	\$ 88	\$ 1,319
Unpaid	193,894	217,096
TOTAL	\$ 193,982	\$ 218,415

NOTE 19	RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET	
	(in thousands)	
	FY 2011	FY 2010
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 800,359	\$ 2,041,586
Less: Spending Authority from Offsetting Collections and Recoveries	(165,724)	(181,645)
Obligations Net of Offsetting Collections and Recoveries	634,635	1,859,941
Less: Distributed Offsetting Receipts	(216)	(1,471)
Net Obligations	634,419	1,858,470
Other Resources:		
Donations of Property and Services	25,189	42,516
Imputed Financing from Costs Absorbed by Others	101,509	102,710
Exchange Revenue not in the Budget	(57)	103
Non-exchange Revenue not in the Budget	0	(579)
Trust/Special Fund Exchange Revenue Receipts	(6,929)	(7,444)
Other Resources (+/-)	(3,025)	4,559
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	751,106	2,000,335
RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided (+/-)	25,563	(9,053)
Resources that Fund Expenses Recognized in Prior Period	(318)	0
Resources that Finance the Acquisition of Assets	(16,499)	291
Budgetary Offsetting Receipts that do not Affect Net Cost of Operations	216	1,471
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(2,763)	(6,835)
Fiduciary Obligations Net of Offsetting Collections and Recoveries	0	(1,180,443)
TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS	6,199	(1,194,569)
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	757,305	805,766
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability and Actuarial Liability	601	1,507
Other	0	0
Total Components Requiring or Generating Resources in Future Periods	601	1,507
Components not Requiring or Generating Resources:		
Depreciation and Amortization	16,223	14,395
Revaluation of Assets or Liabilities	3,905	(18,684)
Other Costs not Requiring or Generating Budgetary Resources (+/-)	(33)	5
Total Components not Requiring or Generating Resources	20,095	(4,284)
TOTAL COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD	20,696	(2,777)
NET COST OF OPERATIONS	\$ 778,001	\$ 802,989

NOTE 20**Fiduciary Activity and Net Assets**

SFFAS No. 31, "Accounting for Fiduciary Activities," defines "fiduciary activity" as those Federal Government activities that relate to the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which non-Federal parties have an ownership interest that the Federal Government must uphold.

Fiduciary assets are not assets of the Library of Congress. The Library's Balance Sheet, Statement of Net Cost and Statement of Net Position do not include the results of operations and financial position of its funds identified as "fiduciary activities." During fiscal year 2010, as authorized by OMB and the Treasury Department, the Library transferred all Copyright Licensing net assets from a Special Fund (in Budget) to a Deposit Fund (non-Budget) by a budgetary outlay out of the Special Fund in the amount of \$1.2 billion. At the end of fiscal year 2010, there was no remaining Unobligated Balance in the Statement of Budgetary Resources (SBR) for the Copyright Licensing Special Fund. Beginning in fiscal year 2011, there will be no fiduciary activity or Unobligated Balance reflected in the SBR for the Copyright Licensing Fiduciary Deposit Fund.

The Library of Congress Copyright Office Licensing Division administers the compulsory and statutory licenses covered by the Copyright Act (17 U.S.C.). The Licensing Division receives royalty fees from cable television operators for retransmitting television and radio broadcasts, from satellite carriers for retransmitting "super station" and network signals, and from importers and manufacturers for distributing digital audio recording technologies (DART). Refunds may arise when a cable, satellite, or DART remitter inadvertently overpays or is otherwise entitled to a refund. Additional royalty fees may also be requested from the remitter when necessary. The Licensing Division invests the licensing royalty fees in market-based U.S. Treasury notes and bills. Because these investments are held in a fiduciary capacity for the copyright owners, income does not accrue to the Library's benefit.

Controversies regarding the distribution of the royalties are resolved by the Copyright Royalty Board (CRB), which is composed of three Copyright Royalty Judges and their staff. The CRB has full jurisdiction over setting royalty rates and terms and determining distributions. Decisions may be appealed to the United States Court of Appeals for the District of Columbia Circuit.

Investments - Copyright royalties collected by the Copyright Office on behalf of copyright owners are invested, net of service fees, in U.S. Treasury securities. Treasury securities are intended to be held to maturity, are valued at cost and are adjusted for the amortization of discounts and premiums. Interest is computed using the straight-line method, which approximates the effective interest method. These investments will be held until distributions are made to copyright owners. Income accrues to the benefit of the copyright owners.

Intragovernmental Investments - Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Fiduciary funds investment maturity dates for fiscal year 2011 and 2010 range from October 27 to August 31, 2012 and October 21 to August 31, 2011 respectively and interest rates for fiscal year 2011 and 2010 range from .000 percent to 4.5 percent and from .012 percent to 4.875 percent respectively.

Fiduciary Activity consists of the following:

	(in thousands)	
	FY 2011	FY 2010
Beginning Fiduciary Net Assets	\$ 1,203,390	\$ 1,183,263
Licensing Fees	323,501	275,619
Investment Earnings	4,586	809
Total Net Inflows to Fiduciary Net Assets	328,087	276,428
Payments to Copyright Owners	(144,160)	(249,269)
Refunds of Licensing Fees	(3,528)	(1,373)
Retained by Copyright Licensing for Administrative Costs	(5,327)	(5,659)
Total Outflows from Fiduciary Net Assets	(153,015)	(256,301)
Subtotal Net Fiduciary Activity	175,072	20,127
ENDING FIDUCIARY NET ASSETS	\$ 1,378,462	\$ 1,203,390

Net Fiduciary Assets consist of the following:

	(in thousands)	
	FY 2011	FY 2010
Fiduciary Assets		
Fiduciary Fund Balance with Treasury	\$ 2,014	\$ 3,480
Investments in U.S. Treasury Securities	1,374,967	1,199,560
Accrued interest from U.S. Treasury Securities	1,481	350
TOTAL FIDUCIARY NET ASSETS	\$ 1,378,462	\$ 1,203,390

THE LIBRARY OF CONGRESS

Management Report

Fiscal Year Ended September 30, 2011

Assessment of Condition of Heritage Assets

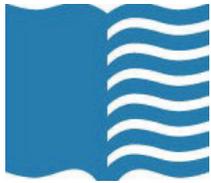
The Library has the largest collections in the world, including materials in over 470 languages and various media. Providing access to this collection inevitably puts it at risk and could impair the Library's ability to serve the Congress and other users in the future. However, the collections exist to be used, and management accepts the responsibility of mitigating risk to the collections at the same time it fulfills its goal of providing access to them.

As of September 30, 2011, the collections were determined to be in a useable condition for fulfilling the Library's service mission. During fiscal year 2011, only a very small percentage of materials were removed from the collection because of damage caused by use and/or deterioration of the medium. The ultimate useful life of a library item varies by its medium (e.g., book, film, tape, manuscript, disk), and the manner in which it is used and stored.

The Library employs a variety of methods to prolong the useful life of its deteriorating materials, including:

- Establishment of adequate environmental storage conditions
- Use of binding or other methods to house items
- Mass deacidification of print materials
- Use of surrogates in serving the collections to the public
- Reformatting of collections to other media

The Library has inadequate temperature and humidity control in some collections storage areas; inadequate space for appropriate storage of some collections materials; and insufficient resources for meeting all reformatting needs. These conditions cannot be fully addressed with current funds and physical plant. The move of collections into the storage facility at Ft. Meade, Maryland, is serving to remedy many of these difficulties for books and paper-based materials, and the acquisition of the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia, was a major step in the preservation of film and other media.

**Memorandum***Office of the Inspector General*

TO: James H. Billington
Librarian of Congress

March 30, 2012

FROM: Karl W. Schornagel
Inspector General

SUBJECT: Results of the Library of Congress FY 2011 Financial Statements Audit

The attached report presents the results of the annual audit of the Library of Congress financial statements for fiscal years (FY) 2011 and 2010.

We contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) for the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards; the Office of Management and Budget Bulletin 07-04, *Audit Requirements for Federal Financial Statements*; and the GAO/PCIE *Financial Audit Manual*.

Results of Independent Audit*Financial Statements*

For the sixteenth consecutive year, we are pleased to report that the auditors issued an unqualified opinion on the Library's financial statements. In its audit, CLA found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

Report on Internal Controls

CLA's consideration of internal controls over financial reporting (including the safeguarding of assets) resulted in the identification of one significant deficiency.¹ CLA determined that the Library's internal controls over the recording of pledges are not designed to ensure they are accurately and completely recorded. Weaknesses were noted with the proper identification of

¹ A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A deficiency in internal control 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 and correct misstatements on a timely basis.

conditional pledges, lack of sufficient documentary evidence to support the recording of pledges, and lack of valuation of annual income payments from a pledge to determine if the beneficial interest was material to the financial statements.

Compliance with Laws and Regulations

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

Office of the Inspector General Oversight of CLA

In connection with the audit contract, the Office of the Inspector General reviewed CLA's report and related documentation and inquired of its representatives. Our review as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the Library's financial statements, conclusions about the effectiveness of internal controls, and compliance with laws and regulations. CLA is responsible for the attached auditor's report dated March 16, 2012 and the conclusions expressed in the report.² However, our review disclosed no instances where CLA did not comply in all material respects with generally accepted government auditing standards.

cc: Chief of Staff
Chief Financial Officer

² In accordance with generally accepted auditing standards, CLA's report is dated as of the last day of their audit fieldwork. CLA's final report was delivered to the Office of the Inspector General on March 30, 2012.

Independent Auditor's Report

Office of the Inspector General
Library of Congress

In our audit of the Library of Congress (the Library), a member of the legislative branch within the United States Government, for fiscal year 2011, we found:

- The consolidated balance sheet of the Library as of September 30, 2011, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources for the year then ended (hereinafter referred to as "consolidated financial statements") are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- No material weakness in internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations, although internal control could be improved.
- One significant deficiency related to the improper recording of pledges receivable – donations and related recognition of donations (revenue).
- No instance of noncompliance with selected provisions of laws and regulations tested.

The following sections (including Exhibit 1) discuss in more detail: (1) above conclusions, (2) our conclusions relating to the Management's Discussion and Analysis (MD&A), and other supplementary information, (3) management's responsibilities, (4) our audit objectives, scope and methodology, and (5) management's response and our evaluation of their response.

Opinion on Financial Statements

In our opinion, the consolidated financial statements, including the accompanying notes, present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America, the Library's assets, liabilities, and net position as of September 30, 2011, and net costs, changes in net position, and budgetary resources for the year then ended. The Library's financial statements as of and for the year ended September 30, 2010, were audited by other auditors; whose report dated February 9, 2011, expressed an unqualified opinion on those financial statements.

Consideration of Internal Control over Financial Reporting and Compliance

In planning and performing our audit, we considered the Library's internal control over financial reporting and compliance (internal control) as a basis for designing our auditing procedures and to comply with Office of Management and Budget (OMB) audit guidance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control over financial reporting and compliance or on management's assertion on internal control included in MD&A. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control over financial reporting and compliance nor on management's assertion on internal control included in the MD&A.

Our consideration of internal control over financial reporting and compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting and compliance that might be significant deficiencies or material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a control deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency identified in Exhibit 1 to be a significant deficiency in internal control over financial reporting.

We noted other nonreportable matters involving the Library's internal control and its operation that we communicated in a separate letter to the Library's management.

Our consideration of internal control was for the limited purpose described in the first paragraph above and would not necessarily identify all significant deficiencies in internal control that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance with Laws and Regulations

Our tests of the Library's compliance with selected provisions of laws and regulations for fiscal year 2011 disclosed no instance of noncompliance that is reportable under United States generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to express an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

The Library's MD&A contains a wide range of information, some of which is not directly related to the financial statements. We reviewed this information for consistency with the financial statements and discussed the methods of measurement and presentation with the Library's officials. Based on this limited work, we found no material inconsistencies with the financial statements, accounting principles generally accepted in the United States, or OMB guidance. However, we do not express an opinion on this information.

Management's Responsibilities

The Library's management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the United States, (2) establishing and maintaining effective internal control over financial reporting, and evaluating its effectiveness, and (3) complying with applicable laws and regulations.

Audit Objectives, Scope and Methodology

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly in all material respects, in conformity with accounting principles generally accepted in

the United States. We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) perform limited testing with respect to other information appearing in the Annual Report.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements, (2) assessed the accounting principles used and significant estimates made by management, (3) evaluated the overall presentation of the financial statements, (4) obtained an understanding of the Library and its operations, including its internal control over financial reporting (including safeguarding of assets) and compliance with laws and regulations, (5) tested relevant internal controls over financial reporting and compliance, (6) considered the design of the process for evaluating and reporting on internal control and financial management systems, and (7) tested compliance with selected provisions of certain laws and regulations.

We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error, fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Library. We limited our tests of compliance to selected provisions of those laws and regulations that have a direct and material effect on the financial statements and those required by OMB audit guidance that we deemed applicable to the Library's financial statements for the fiscal year ended September 30, 2011. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our audits in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB audit guidance. We believe that our audit provides a reasonable basis for our opinion.

Distribution

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

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

Calverton, Maryland
March 16, 2012

EXHIBIT 1 - SIGNIFICANT DEFICIENCY

Strengthen Internal Controls Over Recording of Pledge Receivable – Donations

The Library frequently receives donations and promises to give from members of the public. The Library's current internal controls activities are not designed in a manner to effectively prevent and/or detect errors in ensuring pledges are accurately and completely recorded. Two sets of conditions were noted within the pledge receivable area, having two distinct types of exceptions. The first set of conditions relate to the Library's inappropriate recording of pledges as receivables. The Library has not considered whether pledges are conditional prior to recording them and the Library has not maintained sufficient documentary evidence to support the decisions to recognize pledges receivable. We tested 11 recorded pledges and noted the following issues:

- Two conditional pledges were inappropriately recorded as pledges receivable where the conditions had not been met as of September 30, 2011.
- A third conditional pledge stipulated that further payment would be dependent on funding and that the donor could not guarantee the second of two payments. An email written in February, 2012 notes that the decision had been made by the donor to make the second payment; however, the Library does not have evidence of when that decision was reached.
- A fourth pledge lacked sufficient evidence to support the amount recorded, in which the Library was named beneficiary of a trust. The Library has a letter from the donor stating that a trust has been created, which will benefit the Library; however, the Library does not have a copy of the trust document to determine if the pledge qualifies as an unconditional promise to give.
- A fifth pledge was inadvertently recorded even though the final agreement between the donor and the Library had not been reached as of September 30, 2011, and the pledge was conditioned on the signing of the agreement and providing construction related invoices for reimbursement.
- The last pledge names the Library as a beneficiary of a will that has not yet been through probate. Since the donor is still alive, the will can be changed, and the pledge would not be considered an unconditional promise to give.

The second set of conditions relates to the Library failing to recognize a pledge as a receivable. The Library was named beneficiary of a trust and receives annual income payments. The Library had not performed a valuation necessary to determine if the beneficial interest in the trust was material to the financial statements.

Recommendations

We recommend the Library incorporate control activities to effectively prevent and/or detect errors in providing reasonable assurance over the reliability of financial reporting within the pledge receivable balance. Listed below are considerations for the Library to develop their internal controls within this area:

1. Prior to recognizing a pledge receivable and the related revenue in the financial statements, ensure sufficient evidence in the form of verifiable documentation that an unconditional promise to give was made in accordance with generally accepted accounting principles.
2. Pledges based on trusts should be supported by a copy of the trust documentation.