A close-up, profile view of the head of the Statue of Lady Justice. She has dark, wavy hair and is wearing a golden crown. The background consists of horizontal brushstrokes in shades of blue and green.

FINANCIAL STATEMENTS
FISCAL 2014

MARCH 2015

Photo of the mosaic Minerva, in The Library Of Congress, Jefferson Building, Washington, DC



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 2014 financial statements and accompanying opinion of the independent auditors, CliftonLarsonAllen, LLP. For the nineteenth consecutive year, the independent auditors have issued an unmodified (clean) opinion on the Library's consolidated financial statements.

The net cost of the Library's six major programs totals \$668.9 million, including \$92.9 million in costs incurred by four other agencies (i.e., Architect of the Capitol, Government Printing Office, United States Capitol Police and Office of Personnel Management) in support of the Library's programs. The net cost also includes \$126.6 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 2014 financial statements and auditors' opinion.

Sincerely,

A handwritten signature in black ink that reads "James H. Billington". The signature is written in a cursive, flowing style.

James H. Billington
The Librarian of Congress

THE LIBRARY OF CONGRESS
Financial Statements for Fiscal 2014

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THE LIBRARY OF CONGRESS

Management's Discussion and Analysis

Fiscal Year Ended September 30, 2014

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 2014.

The Library of Congress and Its Mission

The Library of Congress, an agency in the legislative branch of the federal 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 support the Congress in fulfilling its constitutional duties and to further the progress of knowledge and creativity for the benefit of the American people.

Strategic Plan

The Library's 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 to advance knowledge and creativity.
- Manage proactively for demonstrable results.

Through its strategic plan, the Library of Congress charts a course for achieving measurable results and documents its accountability to the American people 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 defines 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 all Library organizations are working toward common ends and provides the background for the Library's annual Congressional Budget Justification.

During fiscal 2010, the Library revised its strategic plan. Along with a new mission statement and more intuitive structure, the plan includes result statements and related annual objectives that were implemented in fiscal 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, eight 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 registration and deposit system 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 store growing collections and to provide openly accessible reading rooms and exhibition space for the general public. In 1897, the Thomas Jefferson Building opened to the public.
- In 1901, the Congress created an international exchange program to send federal publications to overseas partners in exchange for their executive and parliamentary publications, to broaden the Library's international legal collections.
- 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 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, the Congress has statutorily created 11 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)
- Veterans History Project (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 inscriptions 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 an information revolution is empowering not just countries and commerce, but also individuals in the farthest reaches of the globe, the Library's 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 the 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."

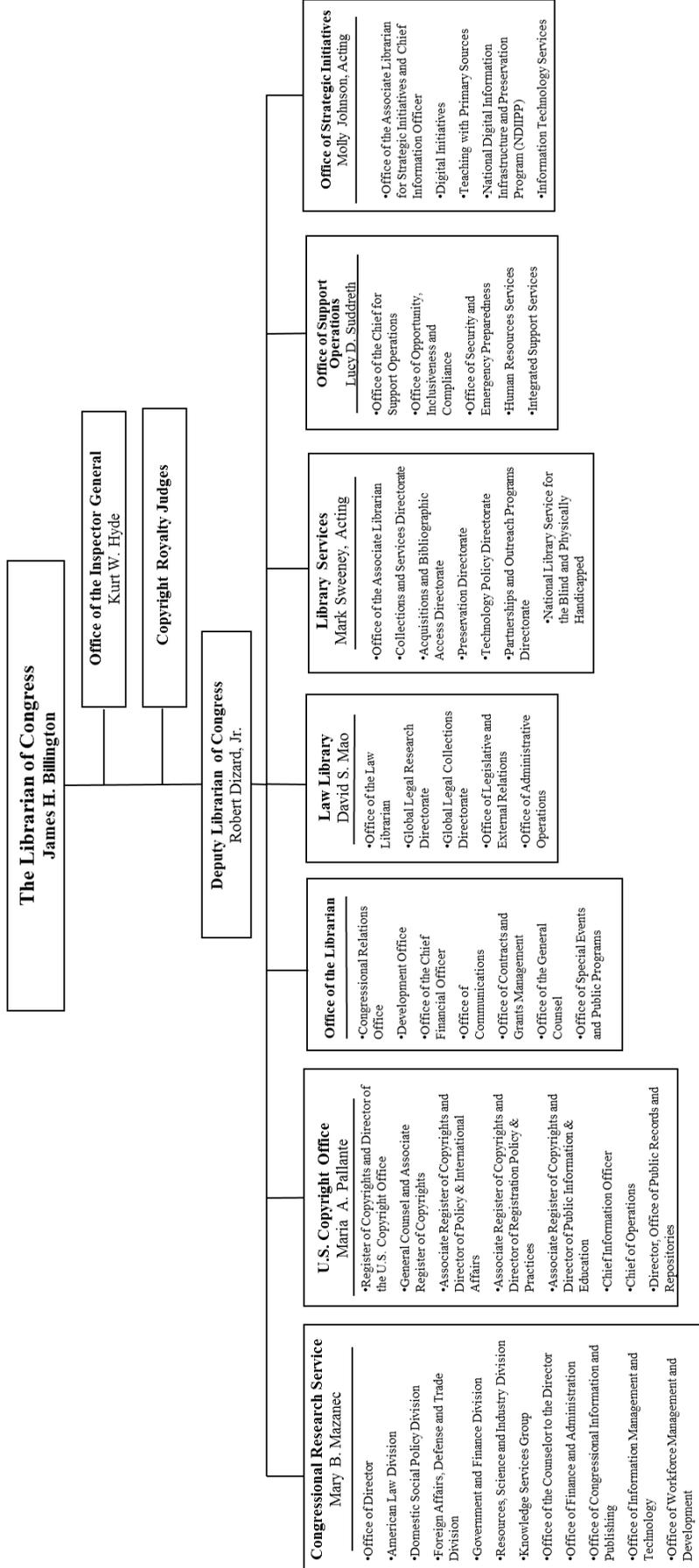
Through its strategic plan, the Library of Congress is accountable to the American people and their elected representatives, and measured by the results that are achieved. We seek to be ardent champions furthering the cause of human understanding and wisdom.

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 on page 5).

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

LIBRARY OF CONGRESS



Overview of Financial Statements

For fiscal years 2014 and 2013, 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 Sheets is to provide financial statement users with information about the Library's assets, liabilities, and net position as of September 30, 2014 and 2013. 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 and provides other relevant information about their use, preservation, security, etc., in supplemental information. 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 2014	FY 2013
Entity Assets	\$ 523.6	\$ 506.9
Total Assets	\$ 523.6	\$ 506.9
Liabilities and Net Position		
	FY 2014	FY 2013
Liabilities Covered by Budgetary Resources	\$ 112.1	\$ 110.2
Liabilities Not Covered by Budgetary Resources	\$ 35.3	38.8
Total Liabilities	\$ 147.4	\$ 149.0
Net Position	376.2	357.9
Total Liabilities and Net Position	\$ 523.6	\$ 506.9

The Library's assets total \$523.6 million for fiscal 2014 and \$506.9 million for fiscal 2013. Entity assets increased by \$16.7 million during fiscal 2014 primarily due to an increase in the fund balance with Treasury. The Library's liabilities total \$147.4 million and \$149.0 million for fiscal years 2014 and 2013, 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.

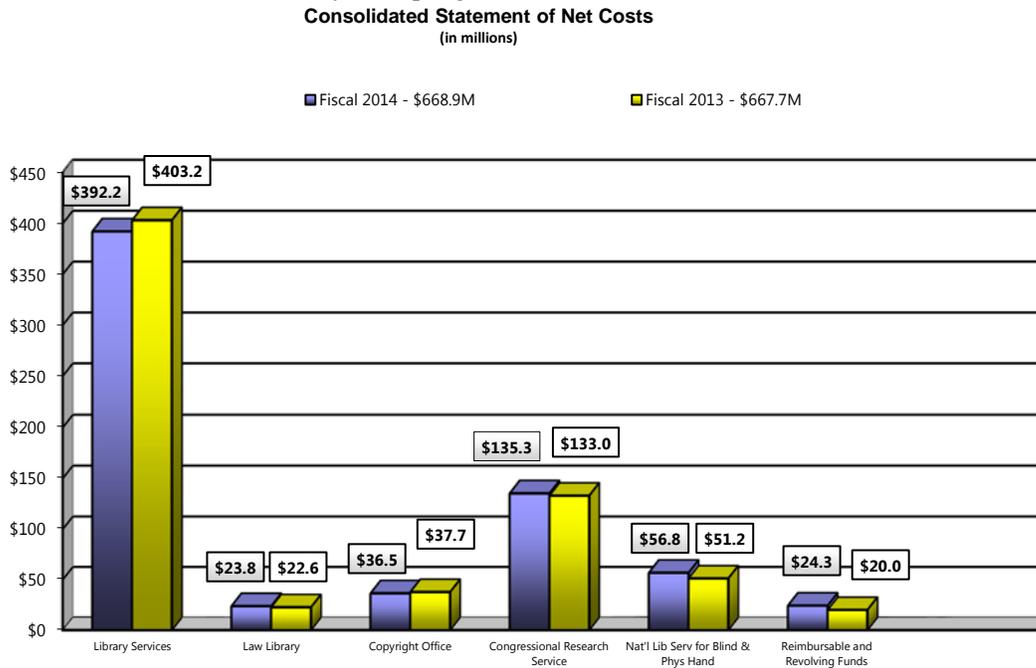
In general, the accompanying Balance Sheets do not include the acquisition and improvement costs of the Library's buildings and grounds. By law, these buildings and grounds are under the structural and mechanical care of the Architect of the Capitol.

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, 2014 and 2013. In other words, the statements present the net costs of our programs:

\$668.9 million and \$667.7 million for the fiscal years 2014 and 2013, respectively. Net costs stayed relatively stable increasing by \$1.2 million during fiscal 2014. 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:



Library Services - With net program costs of \$392.2 million and \$403.2 million for fiscal years 2014 and 2013, respectively, Library Services is the Library's largest program and is responsible for the traditional library activities of acquisitions, cataloging, research and reference, and preservation.

Library Services manages the following functions and services:

Acquisitions – Each year the Library acquires nearly three 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 468,000 information requests a year from across the nation, including nearly 232,000 in person in the research centers open to the public in Washington, D.C. In addition,

the Library responds to approximately 26,000 free interlibrary loan requests from across the nation and 23,000 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 www.loc.gov, www.copyright.gov, www.congress.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 treatments 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 website. The Library also gives surplus books annually to qualified libraries and nonprofit educational institutions through its nationwide donation program. Finally, the annual National Book Festival continues to be a popular event, drawing capacity crowds every year.

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 \$23.8 and \$22.6 million for fiscal years 2014 and 2013, 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 offices of the legislative branch, justices of the Supreme Court, and other federal judges, staff of the Departments of Homeland Security, Justice, and State, 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, with net program costs of \$36.5 million and \$37.7 million for fiscal years 2014 and 2013, respectively, administers the U.S. copyright registration system and related programs, assists with the administration of statutory licenses, provides copyright policy analysis to the Congress and federal departments and agencies, actively promotes international protection for intellectual property created by U.S. citizens, and provides public information and education on copyright. In fiscal 2014, the Copyright Office registered 476,298 claims to copyright; transferred 700,964 works to the Library; recorded 7,635 documents containing more than 150,000 titles; logged more than 52 million page views on its website; and responded to 245,895 in-person, telephone and e-mail requests for information. 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. The registration program is substantially funded by fees paid by authors and other copyright owners. Similarly, costs of administering the licensing program are substantially funded through deductions from royalty receipts.

The Copyright Royalty Board (CRB), composed of three Copyright Royalty Judges appointed by the Librarian of Congress, directed distribution of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law, and adjusted the royalty rates of these license provisions. Costs of administering the CRB are partially funded through deductions from royalty receipts.

Congressional Research Service – The Congressional Research Service, with net program costs of \$135.3 and \$133.0 million for fiscal years 2014 and 2013, respectively, provides non-partisan analytical research and information services to all Members and committees of the Congress. The Congressional Research Service assists the Congress with its deliberations and legislative decisions by providing objective, authoritative, timely, and confidential research and analysis. Serving the Congress exclusively, Congressional Research Service 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. Congressional Research Service support takes the form of reports, videos, short policy briefs, tailored confidential memoranda, individual consultations, and formal seminars.

National Library Service for the Blind and Physically Handicapped – The National Library Service for the Blind and Physically Handicapped, which is part of Library Services, manages a national reading program for blind and physically handicapped people – circulating approximately 23.2 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, downloadable digital and digital cartridges, and playback machines. The National Library Service for the Blind and Physically Handicapped net program costs for this segment were \$56.8 and \$51.2 million in fiscal years 2014 and 2013, respectively.
2. A cooperating network of 55 regional libraries, 36 subregional libraries, and 14 advisory and outreach centers 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. The number of reader accounts for these reading materials (books and magazines) and playback machines totals 890,932.

Reimbursable and Revolving 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 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 financial system 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 \$89.5 and \$85.5 million in fiscal years 2014 and 2013, respectively, reimbursable and revolving fund net program costs totaled \$24.3 and \$20.0 million, respectively. The net program costs were the result of the elimination of \$8.6 and \$6.6 million of intra-Library net revenues, \$13.0 and \$12.4 million in allocated administrative overhead, \$1.6 and \$1.6 million in imputed inter-governmental costs (e.g., employee benefits) not recovered by fees charged by the revolving funds for fiscal years 2014 and 2013, 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 \$2.9 million in both fiscal years 2014 and 2013.

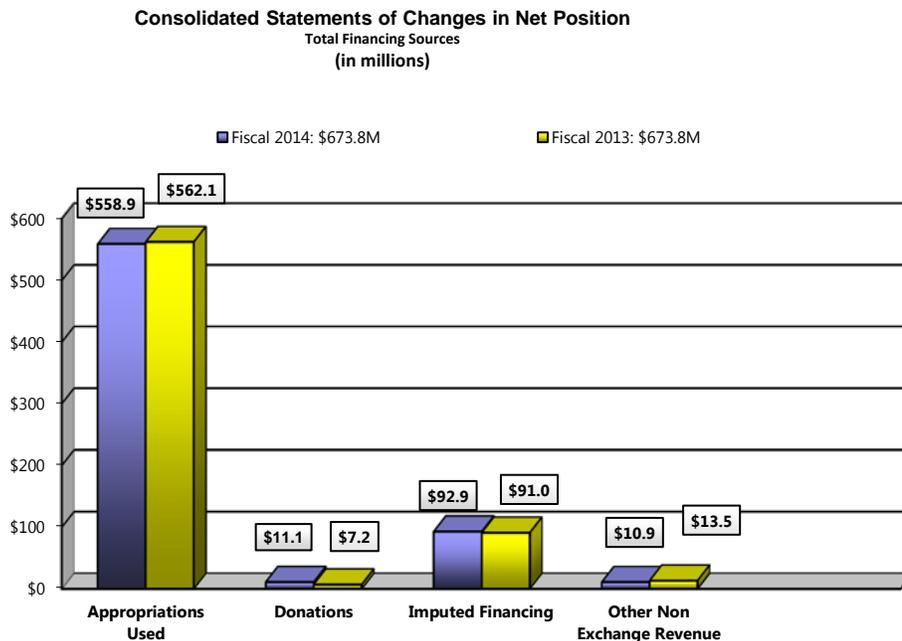
Gift Shop, Decimal Classification, Document Reproduction and Microfilm Services, Special Events and Programs and related services – This revolving fund provides for the operation of a gift shop or other sales of items associated with collections, exhibits, performances, and special events of the Library 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 \$5.9 million and \$6.6 million and intra-Library revenue transactions of \$2.1 million and \$1.8 million were eliminated as part of financial statement consolidation in fiscal years 2014 and 2013, respectively.

The FEDLINK program and the Federal Research Program (FRP) – FEDLINK serves federal libraries and information centers as their purchasing, training, and resource-sharing consortium. 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 125 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 online via the Library's website, is the country study series. In fiscal years 2014 and 2013, earned revenues were \$84.4 and

\$77.9 million, respectively, and intra-Library revenue transactions of \$4.3 million and \$2.6 million were eliminated as part of financial statement 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 \$673.8 million for both fiscal years ended September 30, 2014 and 2013, respectively.



The major source of the Library's funding is from congressional appropriations for five programs: Library Services, Law Library, Copyright Office, Congressional Research Service, and National Library Service for the Blind and Physically Handicapped. Appropriations used during the fiscal years ended September 30, 2014 and 2013 totaled \$558.9 million and \$562.1 million or 82.9% and 83.4% of all financing for fiscal years 2014 and 2013, respectively. 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 \$92.9 and \$91.0 million (imputed financing) for fiscal years 2014 and 2013, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$57.1 million and \$56.2 million), employee benefits (\$33.4 million and \$32.2 million), acquisitions exchange services (\$0.9 million and \$1.3 million), and collections security services (\$1.4 million and \$1.4 million). Other non-exchange revenues are positive and negative for fiscal years 2014 and 2013, 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 those resources at the end of the period. The remainder of the statement presents the information about obligations and outlays of the Library.

The Library's budgetary resources were \$830.7 million and \$825.6 million for the fiscal years ended September 30, 2014 and 2013, respectively, of which \$591.8 million and \$572.7 million were from appropriated funds and \$146.8 million and \$142.9 million were from non-appropriated funds for fiscal years ended September 30, 2014 and 2013, respectively. Total outlays of \$556.0 million and \$621.6 million were incurred with the outlays of appropriated funds (\$556.8 million and \$583.0 million) combined with outlays of the non-appropriated funds (\$-0.8 million and \$38.6 million) in fiscal years 2014 and 2013.

Performance Targets and Accomplishments

This section of the Library's 2014 *Financial Statements* presents those annual performance goals 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. As a general rule where there are multiple performance targets for a single annual objective, the accomplishment statements summarize the individual target results.

In order to ensure the integrity of the Library's performance management information, the Library introduced a process to document the reliability and completeness of the performance data. In fiscal 2014, service units documented data validation and verification of their performance targets recorded in eLCplans, the Library's Planning and Program Performance Assessment System, using the following components:

- **Performance Indicator:** The attribute to be measured that expresses progress being made on a program, initiative, or process;
- **Data Source:** Where the data is stored;
- **Verification/Validation Method:** How the organization ensures that the data is accurate and a valid representation of performance;
- **Level of Accuracy required for use of the data:** Describes how accurate the data must be to be meaningful;
- **Data limitations:** Describes, given the required level of accuracy, what limitations exist in obtaining information;
- **Compensation for data limitations:** Describes how the agency will compensate for such limitations, if needed, to reach the required level of accuracy.

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

Annual Performance Goal: Advise and assist Congress regarding possible revisions and updates to the Copyright Act.

Performance Target: Provide expert advice and policy recommendations for fiscal year hearings and proposed legislation requested by Congress.

Accomplishment: In fiscal 2014, the Copyright Office has provided expertise and advice to all relevant congressional hearings on time and in the format requested. This has included both in-person briefing presentations, written memoranda and/or suggested hearing questions for copyright related hearings on: The Rise of Innovative Business Models: Content Delivery Methods in the Digital Age; The Scope of Copyright Protection; The Scope of Fair Use; Section 512 of Title 17; Preservation and Reuse of Copyrighted Works; Compulsory Video Licenses of Title 17; First Sale Under Title 17; Music Licensing Under Title 17; Moral Rights, Termination Rights, Resale Royalty, and Copyright Term; Copyright Remedies; Chapter 12 of Title 17; Oversight of the U.S. Copyright Office. The Copyright Office's support to Congress for more than a dozen copyright related hearings this fiscal year has significantly increased congressional understanding of copyright law, facilitated ongoing congressional review to help improve the overall functioning of the copyright system, and strengthened the relationship between Congress and the Copyright Office.

Annual Performance Goal: Complete all studies requested by Congress by the due date and in the format requested by Congress.

Performance Target: Number of studies completed on time and in the form requested by Congress.

Accomplishment: In fiscal 2014, the Copyright Office began conducting three ongoing studies on policy issues: (1) Orphan Works and Mass Digitization; (2) review of U.S. implementation of the "making available" right; and (3) review of the U.S. music licensing regime. While these studies were not scheduled to be completed this fiscal year, they are on target to be completed in fiscal 2015. The Copyright Office's work on studies increases congressional understanding of copyright law and the copyright implications of technological advances, facilitates congressional review of copyright law, and strengthens the relationship between Congress and the Copyright Office.

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

Annual Performance Goal: The Copyright Office is receiving eSerials through mandatory deposit and transferring them to the Library for its collections.

Performance Target: 200 additional eSerials titles.

Accomplishment: The Copyright Office exceeded their target by receiving 416 additional eSerial titles through mandatory deposit in fiscal 2014. The eSerials project is beginning to provide significant volume and types of digital materials in support of the Library's mission. A special relief agreement with publisher de Gruyter significantly increased deposit of eSerials. A significant stream of eSerials (and voluntary eBook) deposits have been stored in a Library dark archive and are not available for public

access. Library patrons can access the entire de Gruyter catalog in Library reading rooms and within the Library's Internet Protocol (IP) range via de Gruyter (DG) Online.

Annual Performance Goal: The Preservation Directorate and the New Delhi Field Office will work in collaboration with the custodial units to identify collections in need of reformatting through the Annual Call process. The Preservation Directorate and the New Delhi Field Office expect to reformat 4.5 million pages of endangered library materials.

Performance Target: 4.5 million pages reformatted.

Accomplishment: The Preservation Directorate and the New Delhi Overseas Office reformatted a total of 5,725,672 pages in fiscal 2014, thereby exceeding their target. By reformatting these collection materials to microfilm, the Preservation Directorate contributes to their current accessibility and ensures the long-term availability of their content.

Annual Performance Goal: The Preservation Directorate will work in collaboration with the custodial units to house items and collections appropriately for transport use, and storage. The materials will come from a variety of sources, both retrospective collections currently in need within custodial units and new materials coming directly from acquisitions which require housing prior to custodial storage. Based on past year experience, we expect approximately 20,000 items will be housed.

Performance Target: 20,000 items housed.

Accomplishment: In fiscal 2014, a total of 65,878 items were housed, thereby exceeding the target. By housing these collection materials, the Preservation Directorate protects them while in storage and contributes to their long-term preservation.

Annual Performance Goal: The Preservation Directorate will work in collaboration with the custodial units to bind items both serial and monograph that will benefit from commercial binding. The materials will come from a variety of sources, serials predominately from custodial units and monographs from acquisition units before being sent on to custodial units. Based on past year experience, we expect approximately 140,000 volumes will be processed and bound.

Performance Target: 140,000 units bound.

Accomplishment: In fiscal 2014, a total of 162,462 volumes were bound, thereby exceeding the target. By binding these collection materials, the Preservation Directorate protects them while in storage and contributes to their long-term preservation and continued availability to Congress, researchers, the nation, and the world.

Annual Performance Goal: The Preservation Directorate will work in collaboration with the custodial units to assess collections and items in need of collection care and conservation treatment through the Annual Call process and by responding to collections "on the move." The Preservation Directorate will assess 205,000 items (Binding and Collections Care Division: 5,000 and Conservation Division: 200,000) to determine collection care and conservation needs.

Performance Target: 205,000 items assessed (BCCD: 5,000 and CD: 200,000).

Accomplishment: In fiscal 2014, a total of 216,607 items were assessed, thereby exceeding the target. By assessing these collection materials for collection care and conservation treatment, the Preservation Directorate becomes aware of and addresses issues with their condition, and thereby contributes to their long-term preservation.

Annual Performance Goal: Treat 866,000 acidic sheets in the collection in conjunction with manuscript and other custodial units with sheet collections.

Performance Target: 866,000 sheets treated.

Accomplishment: In fiscal 2014, 903,461 sheets were deacidified, thereby exceeding the target. By deacidifying these sheets, the Preservation Directorate protects them while in storage and contributes to their long-term preservation and continued availability.

Annual Performance Goal: Treat 226,000 acidic volumes in the collection through review of incoming acquisitions, and appropriate retrospective collections in Law Library, and General collections.

Performance Target: 226,000 volumes treated.

Accomplishment: In fiscal 2014, 240,070 book equivalents were mass deacidified, thereby exceeding the target. By deacidifying these volumes the Preservation Directorate protects them while in storage and contributes to their long-term preservation and continued availability.

Annual Performance Goal: The Library has developed implementation plans for three content storage migrations: 1) long-term tape storage migration; 2) online disk migration; and 3) migration of content that requires processing.

Performance Target: Three content storage migration plans 100% complete.

Accomplishment: The Office of Strategic Initiatives completed three content storage migration plans in fiscal 2014. The plans will be used in fiscal 2015 for content migration implementations, which improve operations of the Library's technology infrastructure in the following ways: ensure master versions of content are migrated and securely stored on cost-effective long-term tape storage, ensure "service" versions of content are migrated and made available on shared storage so that multiple access servers can more flexibly access the content to serve Library patrons via the Library's online presence, migrate content that requires processing to storage designed for explicit processing workflows so Library staff can improve automation of processing operations on content and thereby improve services to Library patrons.

Annual Performance Goal: The Preservation Directorate will work in collaboration with the custodial units to assess the need for binding or housing for the most effective use of resources available. The materials assessed come from a variety of sources, from acquisitions and custodial units. Based on past year experience, we expect approximately 250,000 items will be assessed for binding and housing.

Performance Target: 250,000 items assessed.

Accomplishment: In fiscal 2014, 369,662 items were assessed, thereby exceeding the target. By assessing these collection materials for binding and housing, the Preservation Directorate becomes aware of and

addresses issues with their condition, and thereby contributes to their long-term preservation.

Annual Performance Goal: The Preservation Directorate will work in collaboration with the custodial units to treat collections and items in need of collection care and conservation treatment through the Annual Call process and by responding to collections “on the move.” The Preservation Directorate will complete the treatment of 24,500 items (Binding and Collections Care Division (BCCD): 4,500 and Conservation Division (CD): 20,000).

Performance Target: 24,500 items treated (BCCD: 4,500 and CD: 20,000).

Accomplishment: In fiscal 2014, a total of 30,037 items were treated, thereby exceeding the target. By treating these collection materials, the Preservation Directorate protects them while in storage and contributes to their long-term preservation.

Annual Performance Goal: Complete first phase of the Law Reading Room Renovation Project by the end of the fiscal year.

Performance Target 1: All of the collection moved to alternative space.

Performance Target 2: All staff relocated to alternate space.

Accomplishment: During fiscal 2014 the Law Library completed the first phase of the Law Reading Room Renovation Project. Working with Space Utilization Planning & Design Division (SUPD) and Collections Access & Loan Management (CALM) the Public Services Division (PSD) has moved 100% of its collection to swing space in LM G15 and subbasement stacks, and affected staff to alternate work space. The renovation of the Law Library Reading Room will help ensure high quality service and easy access to collections for the Congress, researchers, and the general public.

Annual Performance Goal: Plan a pilot to test the bibliographic framework model/system within the Library.

Performance Target: Three planning phases have been completed for a pilot to test the New Bibliographic Framework (BIBFRAME) internally as a production model within the Library based on refinements by Library stakeholders.

Accomplishment: In fiscal 2014, three planning phases were completed for a pilot to test BIBFRAME as a production model within the Library based on refinements by Library stakeholders. The planning phases were: (1) development of a pilot plan; (2) vetting of the pilot plan by stakeholders within Library; and (3) completion of the pilot plan to test BIBFRAME as a production model within the Library based on refinements by Library stakeholders. As part of the completed plan, Library experts were identified to receive intensive training in the first two quarters of fiscal 2015; training funds were secured; and the Library identified collection formats to be included in the plan (print, sound recordings, and moving images). The Library will be able to determine the effectiveness of BIBFRAME, the new bibliographic framework that will make cataloging data intelligible to internet search engines, for print and audio-visual materials.

Annual Performance Goal: Classify 20,000 volumes that remain in the obsolete LAW classification system into the current K class.

Performance Target: 20,000 volumes are classified by the end of the fiscal year.

Accomplishment: In fiscal 2014, a total of 42,395 volumes were reclassified to the Class K schedule, thereby exceeding the target. The reclassification of these volumes allows for more efficient retrieval of these items, resulting in quicker service to Congress and the public. Approximately 420,000 volumes currently shelved under the obsolete "LAW" system remain with unassigned K class numbers.

Annual Performance Goal: The Library will partner with teacher associations to offer professional development activities geared toward Science, Technology, Engineering, and Mathematics (STEM) participants.

Performance Target: By September 30, 2014, a professional development activity geared toward Science, Technology, Engineering, and Mathematics (STEM) is developed and offered to teachers.

Accomplishment: In fiscal 2014, the Library partnered with teacher associations to offer professional development activities geared toward Science, Technology, Engineering, and Mathematics (STEM) participants highlighted by a successful, week-long Summer Teacher Institute for STEM teachers. Twenty-six educators from 15 different states and the District of Columbia participated.

Annual Performance Goal: Assess and make recommendations for collections physical and electronic security controls.

Performance Target: 100% of High Security Audit recommendations implemented.

Accomplishment: In fiscal 2014, 75% of High Security Audit recommendations to enhance collections security were implemented. These assessments and recommendations help to ensure that the infrastructure optimally supports the securing of collections, staff, and buildings in accordance with the Library's Strategic Plan for Safeguarding the Collections. The Office of Security & Emergency Preparedness (OSEP) is on target to implement the remaining 25% of the High Security Audit recommendations by January 31, 2015.

Strategic Plan Goal: Sustain an effective national copyright system.

Annual Performance Goal: The Copyright Office will expand its educational opportunities by hosting two Ringer Fellows.

Performance Target: The Copyright Office will welcome two Fellows.

Accomplishment: Two Ringer Fellows reported in September 2014 for a two-year term. The Fellowship develops the capacities of recent law school graduates and other attorneys in the early stages of their careers that have a strong interest in copyright law and a demonstrated record of achievement in law school or in practice. They are mentored by senior attorneys and work on a range of copyright-related issues, including policy studies and analyses, administrative proceedings, legislative initiatives, litigation matters, and international developments.

Annual Performance Goal: The Copyright Academy will host two classes: (1) Introduction to the 1909 Copyright Act; and (2) Copyright Law Under 1976 Act.

Performance Target: The Copyright Office will hold two Copyright Academy classes.

Accomplishment: The Copyright Academy conducted two planned open-enrollment courses for Copyright Office staff on the 1909 and 1976 laws. In addition, the Copyright Academy conducted video and class lectures for various audiences, and several sessions for Public Information Office staff. These courses enabled the Copyright Office to promote the goal of improving staff and public knowledge of basic copyright principles, and registration and recordation policies and practices. The courses improved the staff's capacity to provide correct and useful information to the public and thereby improve the public's respect for and use of the copyright system.

Annual Performance Goal: Provide expert contributions to U.S. policy and legal positions at meetings and negotiations of the World Intellectual Property Organization (WIPO); and to the U.S. Trade Representative and other executive branch agencies on domestic copyright law matters and international copyright principles in treaty negotiations.

Performance Target 1: Provide advice in all WIPO sessions for which Copyright Office involvement was requested.

Performance Target 2: Provide advice and/or participate in all treaty negotiation or consultative sessions for which Copyright Office involvement was requested.

Accomplishment: The Copyright Office has provided preparatory advice and/or attended treaty negotiations or consultative sessions for which Copyright Office involvement was requested, including more than a dozen meetings and negotiations on the Trans-Pacific Partnership, Transatlantic Trade and Investment Partnership, and World Intellectual Property Organization negotiating sessions. The Copyright Office's expert support through analyses, recommendations, and in person advocacy at various international meetings and negotiations helped to develop and advance U.S. policy positions in international forums, which in turn serves to protect and support US trade and investment.

Annual Performance Goal: The beta version of The Compendium of U.S. Copyright Office Practices, Third Edition is available online.

Performance Target: The Compendium of U.S. Copyright Office Practices, Third Edition, beta version, is available online by the end of fiscal 2014.

Accomplishment: The public draft of the completed Compendium of U.S. Copyright Office Practices, Third Edition, was successfully posted on the Copyright website (<http://copyright.gov/comp3/>) on August 19, 2014 for public review and comment. This comprehensive overhaul is published electronically for easy maintenance, updating, navigation, and hyperlinking. It makes the practices and standards of the Copyright Office more accessible and transparent to the public. It is a technical manual for staff and a guidebook for authors, copyright licensees, practitioners, scholars, the courts, and the general public. It addresses fundamental principles of copyright law, e.g. standards of copyright ability, joint authorship, work for hire, and termination of transfers, as well as routine questions involving fees, records retrieval, litigation documents, and other procedural matters.

Annual Performance Goal: The Copyright Office maintains average copyright claims processing times of under five months for web submissions and under nine months for paper submissions.

Performance Target 1: Maintain average fiscal year processing time for web submissions under five months.

Performance Target 2: Maintain average fiscal year processing time for paper submissions under nine months.

Accomplishment: In fiscal 2014, average processing time across the year for web submissions was 3.3 months. Average processing time across the fiscal year for mail submissions was 8.7 months. The stable, shortened average processing time for web submission meant that owners received their certificates in a timely manner and users had quicker access to copyright records. The average processing for mail submissions was within the target, but represents a decreasing number of mailed claims, many of which also have issues to be resolved; this is likely to increase the average processing time in the near future.

Annual Performance Goal: Complete scanning of pre-1978 historical records from the Copyright Card Catalog, achieving 100% card digitization for 1870-1977.

Performance Target: Complete scanning of 100% of pre-1978 card catalog records.

Accomplishment: In fiscal 2014, the Copyright Office digitized 99.94% of all pre-1978 Copyright Catalog cards. The remaining .06% cards were extremely fragile and required individual scanning. The Preservation Directorate assisted by re-gluing shattered cards and assisting with safely digitizing the remaining cards. The Copyright Office now has a complete digital record of its pre-1978 card catalog, ensuring that a copy of all Copyright Office records exists. The project was completed on time. The next phase will be Optical Character Recognition (OCR) of the 1971-1977 catalog with the intent to integrate into online Copyright records from 1978 to the present.

Annual Performance Goal: Achieve throughput targets for cable filings.

Performance Target: Greater than 93% of paper cable filings closed within 13 months for Statement of Account SA-3 forms and within 4.5 months for Statement of Account SA1-2 forms.

Accomplishment: All throughput targets were met as a result of reengineered processes and focused staff. By shortening throughput times, the Copyright Office made documents available to the public more quickly. Quicker turnarounds have also made it possible to devote more time and energy to public outreach and education, resulting in significant improvement to stakeholders' initial filings which should, in turn, reduce throughput times further.

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

Annual Performance Goal: The Library will collaborate with public and private partners to identify, acquire and sustain digital content and share best practices.

Performance Target: In FY2014, the Library will collect 100 terabytes of new digital content.

Accomplishment: As a part of preserving born digital content, the Library collected 102.66 terabytes of digital content via the Web Archiving program, thereby exceeding the target. In addition, the Office of

Strategic Initiatives (OSI) collaborated with public and private partners to identify, acquire and sustain digital content, and share best practices through: a) a new and enhanced digital preservation training curriculum, and b) continued development and sharing of community-based standards and technologies via the National Digital Stewardship Alliance (NDSA).

Annual Performance Goal: Test the New Bibliographic Framework, BIBFRAME, which was developed in fiscal 2013 by small-scale pilot implementations at the Library of Congress and other volunteer institutions.

Performance Target: Four external, pilot institutions are testing BIBFRAME.

Accomplishment: Four external, pilot institutions tested BIBFRAME in fiscal 2014: (1) The British Library, (2) National Library of Australia, (3) Stanford University, and (4) Colorado College. The Library of Congress's test in 2014 focused on testing BIBFRAME by testing conversion of legacy data, chiefly in the current standard format, Machine Readable Cataloging (MARC), to BIBFRAME. Results of fiscal 2014 small-scale testing will indicate how BIBFRAME can benefit national libraries and small and large academic libraries. The results will inform the continued development of BIBFRAME and the final design of the Library of Congress BIBFRAME production pilot planned for 2015.

Strategic Plan Goal: Manage proactively for demonstrable results.

Annual Performance Goal: Provide essential content services across the Library supporting the acquisition, storage and provision of online content (collections and information) to include: provision of online content (collections and information) via the internet; scanning; multi-media; metadata enhancement and remediation; and web metrics and analytics services.

Performance Target: Develop a standard methodology for capturing, categorizing and prioritizing the Library's digital conversion workload.

Accomplishment: In fiscal 2014, the Office of Strategic Initiatives (OSI) implemented a system for capturing, categorizing and prioritizing OSI digital conversion inputs and outputs utilizing standard units of measure. Information on digitization units can now be supplied as digitized content is entered into the Content Transfer System and inventoried.

Annual Performance Goal: Expand the legislative branch financial system cross-servicing environment to include the Architect of the Capitol (AOC) and the U.S. Government Accountability Office (GAO).

Performance Target 1: Contract task order has been awarded to migrate to the cloud and bring the AOC into the legislative branch financial system cross-servicing environment.

Performance Target 2: Final report on GAO gap analysis complete and presented to Appropriations Committees.

Accomplishment: The task order for work associated with the migration of AOC into the Library's cross-servicing environment and migration of the IT infrastructure to the cloud was awarded on time. Guidance from the Appropriations Committee changed during 2014, such that migrating GAO into the cross-servicing environment may not occur in the near future. The Legislative Branch Financial

Managers Council (LBFMC) is required to submit a report regarding the feasibility of other shared services by December 31, 2014. Accomplishment of the goal of expanding the legislative branch financial system cross-servicing environment provides the Legislative Branch with the opportunity to further standardize financial operations.

Annual Performance Goal: The increasing scale of National Digital Newspaper Program (NDNP) content (more newspaper pages) and traffic (more site visitors) will be met with improvements that maintain site uptime and serve the increasing number of pages quickly.

Performance Target: Maintain and improve the software and hardware infrastructure supporting the NDNP to facilitate the addition of 1.25 million historic newspaper pages and delivery of 7.75 million pages.

Accomplishment: The Repository Development Center (RDC) ended the year with the addition of 1.5 million historic newspaper pages and the delivery of over eight million newspaper pages available to the public, exceeding the goal of delivering 7.75 million pages and adding 1.25 million pages. Over 40 million page views on the public website also exceeded the traffic for the previous year by 20%. The core infrastructure of the site continued the planned migration to Project One, with over 194,000 issues already migrated into the Project One staging environment.

Annual Performance Goal: Complete the web design and development tasks in the Project ONE, Year 3 plan related to legislative information/congress.gov.

Performance Target: Five functional and content releases of beta.congress.gov completed.

Accomplishment: In fiscal 2014, all planned web design and development tasks in the plan were completed. The five major releases of congress.gov in fiscal 2014 have expanded the content and functionality of Congress.gov, readying it to replace THOMAS and Legislative Information System (LIS) permanently. Key features added in fiscal 2014 included: new content/data, such as Nominations; "Speaker" data from the Congressional Record; and back data for the 92nd-103rd Congress. New functionality includes: an advanced search; user accounts with saved searches and alerts; and a new browse function. The Version 2.0 release in September removed the "beta" label and began redirection of web traffic from the legacy Legislative Information System (LIS) to congress.gov.

Annual Performance Goal: Complete the web design and development tasks in the Project ONE, Year 3 plan related to loc.gov/National Library.

Performance Target: Complete the web design and development tasks in the Project ONE, Year 3 plan related to loc.gov/National Library.

Accomplishment: The Project ONE team completed a full implementation of tasks related to web design and development on loc.gov in support of the Library's Web Strategy. In fiscal 2014, improvements have been made to dozens of existing presentations, improving collection display, enabling new search features, and allowing the gradual retirement of legacy systems without loss of content. Through projects such as Global Navigation and content migration, the team updated the overall quality and operation of the site through improved performance, better mobile compatibility, and improved accessibility for users with disabilities. In addition to improvements to legacy systems and presentations, the team's work

allowed the addition of several new collections consisting of tens of thousands of digitized items.

Annual Performance Goal: Complete phases of project plans for legacy system transition scheduled for fiscal 2014.

Performance Target: Complete 80% of Copyright Office Registration, Recordation and Deposit System (CORDS) legacy system transition.

Accomplishment: In fiscal 2014, 80% of CORDS legacy system transition was completed. CORDS is no longer accepting new claims. The single remaining CORDS remitter is now submitting claims via the Electronic Copyright Office (eCO) bulk submission process. The bulk submission process in eCO is more efficient and effective than the CORDS batch process. Processes that required manual intervention (e.g. cataloging) are now automated in eCO. In addition to improved efficiencies, data integrity is enhanced due to automated processes.

Annual Performance Goal: Strengthen development, integration, and delivery of business applications across the Library.

Performance Target: At least eight (8) business applications have been implemented, improved or upgraded.

Accomplishment: The Office of Strategic Initiatives, Information Technology Services division exceeded their target in fiscal 2014 by providing upgrades and enhancements to twelve (12) business applications: (1) Project ONE; (2) America Works Business Application; (3) Business Enterprise – Management Information System (BE-MIS); (4) Civil Rights Business Application; (5) Electronic Copyright (eCO) Business Intelligence Publisher (BIP) Servers; (6) Electronic Copyright (eCO) Stage Area Network (SAN) Transition; (7) Geospatial Hosting Environment (GHE) Initiative; (8) Handle System; (9) International Standard Music Number (ISMN); (10) the Library's Planning and Program Performance Assessment System (eLCplans); (11) Online Learning Center (OLC) Management System; and (12) Oracle Fusion Middleware (OFM). These business application upgrades enhanced service units operations and services, enabling the service units to achieve their Library mission. The business application improvements included:

- serving more easily searchable collections to public facing websites;
- shoring up application infrastructure to prepare for future improvements;
- increasing efficiencies of delivery of training to Library employees; and
- enhancing the Library's ability to deliver more services and products to its constituents.

Annual Performance Goal: Enhance support for all ITS-supported business applications across the Library.

Performance Target: 85% of submitted applications change requests (ACRs) are completed.

Accomplishment: The Office of Strategic Initiatives, Information Technology Services division exceeded their target in fiscal 2014 by completing 97% of submitted application change requests (ACRs). The application updates and changes ensured that over 150+ business applications were available to the Library's service units, Congress, Committee Members, and the general public. These updates also ensured that the business applications are working efficiently and performing optimally to enhance service units' operations and services, thereby enabling the Library to achieve its mission.

Annual Performance Goal: Procure new network switches to replace the obsolete (End of Life) network switches in all Library buildings including remote sites.

Performance Target: All deliverables required to procure additional Wi-Fi equipment for the three (3) Library buildings on the Capitol Hill Campus to replace end of life equipment and extend coverage to new areas have been completed.

Accomplishment: In fiscal 2014, new network switches were procured in order to replace the obsolete network switches for the three (3) Library buildings on the Capitol Hill Campus. The Library has received the new equipment and has approved the switch installation schedule. This upgrade provides the Library with new access switches in order to maintain continuity of operations within the existing infrastructure within Library of Congress facilities.

Annual Performance Goal: Analyze and assess the current and future target environment by completing an acquisition package for professional services to conduct initial assessment, gap analysis and plan for the modernization.

Performance Target: All deliverables involved in performing an initial assessment and gap analysis of the Oracle database environment are completed.

Accomplishment: The assessment and analysis, completed within fiscal 2014, allowed the Database Administration Group to begin work on the fiscal 2015 goals and targets toward the long-term goal: the Oracle 12c environment. The project and work plans are also complete and contracted expertise is on site; other procurement needs have been identified as top priority in the Information Technology Services fiscal 2015 budget request for nonrecurring procurement. This assessment and plan achieved the necessary initial step in a multi-year project that will establish a future database environment that will include more functionality and will not be unsupported and obsolete.

Annual Performance Goal: A comprehensive Audio Visual (AV) strategy and plan has been created.

Performance Target: Four deliverables to create a comprehensive AV strategy are completed.

Accomplishment: In fiscal 2014, the Office of Strategic Initiatives, Information Technology Services division developed a comprehensive AV Plan which is currently being reviewed by Library senior management. Creation of the plan was a necessary step in determining the elements of improved Library of Congress AV capabilities:

- equipment to purchase and install;
- expertise to structure and train, hire, or contract;
- responsibilities for maintenance, management, and procurement;
- and providing all necessary information to the Deputy Librarian and other Library executives who are responsible for approving a long-term strategic AV approach.

Annual Performance Goal: Improve the Workforce Performance Management Process (WPM) process.

Performance Target 1: Library of Congress Regulations (LCRs) and Directives are finalized.

Performance Target 2: 85% of Library-wide staff performance management documents are recorded in

EmpowerHR.

Accomplishment: The LCRs and Directives have been finalized, approved by the Executive Committee (EC), and are being prepared by the Office of the General Counsel (OGC) for final promulgation. These revised policies will ensure that service units have access to guidance and authorities required to implement Library-wide performance management program requirements. In fiscal 2014, 77% of Library staff performance management documents were recorded in EmpowerHR. Workforce Performance Management (WPM) process improvements intentionally focused Library managers and staff on the expectations, roles, and responsibilities needed to foster a high performance culture.

Annual Performance Goal: Develop the Library's succession plan.

Performance Target: Develop the Library's succession plan.

Accomplishment: Principal components of the succession planning approach were submitted and approved by the Executive Committee. Adoption of an agency-wide succession planning approach will help the Library ensure continuity, develop potential successors, and concentrate resources on the talent/knowledge process.

Annual Performance Goal: Develop model for Multi-Year Facility Project Planning.

Performance Target: 100% of model developed.

Accomplishment: In fiscal 2014, the model for multi-year facility project planning was completed. The fiscal 2014 model development allowed for clarification and validation of the process, stakeholders, and decision making that occurs in facility project planning. This comprehensive approach to project planning will provide for integrated planning, decision-making, budget formulation, and implementation of facility projects.

Annual Performance Goal: Deliver specialized training courses for Momentum users.

Performance Target: Four training sessions have been delivered.

Accomplishment: The Office of the Chief Financial Officer (OCFO) delivered more than four in-person courses on Momentum as of September 30th, thus meeting the performance target for fiscal 2014. Providing new and/or improved training classes for Momentum users gives users the opportunity to better familiarize themselves with the system, and gives OCFO the opportunity to better understand the questions and issues that need the most focus. Classes performed to date have been very well received by attendees, with responses indicating that the classes met the stated objective, with ratings averaging between excellent and very good.

Annual Performance Goal: Streamline and publish consolidated Contract guidance mapped to the Federal Acquisition Regulation (FAR) within the framework and timeframe for publication of the Library Manual.

Performance Target: Complete guidance submitted to Editorial Board for review.

Accomplishment: The Office of Contracts and Grants Management (OCGM) submitted all guidance

documents to the Editorial Review Board in fiscal 2014. The consolidation of contracting policies, procedures and guidance in fiscal 2014 into the Governance Manual, Contracts Technical Guide, and Handbook provides the foundational model for a consistent set of accessible, reliable guidelines that delineates laws impacting the Library, distinguishes Library procurement policies where statutes impacting Executive agencies do not apply or apply differently to the Library, and adopts or adapts best practices from other federal procurement operations and commercial practices where it is in the Library's interest to do so.

Annual Performance Goal: Establish tools to monitor and report active contracts, acquisition pipeline, suspension and debarment, Federal Acquisition Certification, and unsolicited proposals.

Performance Target: Publish three monitoring tools to Office of Contracts and Grant Management (OCGM) website.

Accomplishment: Three monitoring tools were published to the OCGM website in fiscal 2014. They included: (1) the Acquisition Pipeline; (2) the Active Contracts Report; and (3) the FAC-COR Certification Tracker. The publication of these tools to the OCGM site improved the reliability and utility of the Library's acquisition systems by drawing and publishing information from disparate systems into a single, common, accessible source. These tools provide meaningful information to support advance acquisition planning and contract management; timely, relevant, and accessible data; and standard Library processes. The information leverages existing systems to foster consistency, transparency, and Library-wide knowledge sharing.

Annual Performance Goal: Establish key acquisition goals responsive to Library mission and implement reporting for key performance measures for risk reduction, lead time, certification, and customer satisfaction.

Performance Target: 100% identification and approval by Deputy Librarian of Congress (DLC) of Key Performance Indicators (KPIs), data requirements, and tools by September 30, 2014.

Accomplishment: In fiscal 2014, consolidated recommendations for key performance indicators for risk reduction, lead time, certification, and customer satisfaction were submitted to the Deputy Librarian of Congress for review and approval. These key performance indicators will enable the Office of Contracts and Grants Management (OCGM) to establish a baseline against which performance improvement/decay can be measured going forward, highlighting areas of focus to ensure that the improved quality and performance that OCGM realized during the past several years is institutionalized and continues going forward.

Annual Performance Goal: Oversee and support the Library's Records Management program.

Performance Target: 95% completion rate of the mandatory Records Management training.

Accomplishment: In fiscal 2014, 99.8% of Library staff completed mandatory Records Management training. Oversight of the Library's Records Management program ensures that staff receives training in basic records management that is in compliance with federal regulations and the National Archives and Records Administration (NARA)/Office of Management and Budget (OMB) Directives.

Annual Performance Goal: Select topics and speakers and plan logistics for the New Members Seminar

to be held at the start of the 114th Congress.

Performance Target: By the end of fiscal 2014, the Congressional Research Service (CRS) will select topics and speakers, and plan logistics for the New Members Seminar to be held at the start of the 114th Congress.

Accomplishment: In fiscal 2014, CRS received interim approval for all topics and their formats. Approved speakers are being invited and confirmed. As a result of meeting the performance goals for the New Member Seminar, CRS is on-track to deliver a program tailored to meet the needs of the newly elected Members of the 114th Congress. The Seminar is designed to help newly elected Members of Congress transition quickly and confidently into their new legislative roles and the careful planning of sessions and speakers helps achieve those ends. Additionally, the Seminar has many logistical dependencies, thus the achievement of key milestones is important to its successful planning.

Annual Performance Goal: Identify and develop at least two appropriate media channels by September, 2014 to keep current and potential donors aware of Law Library activities.

Performance Target: New media channels piloted by September 30, 2014.

Accomplishment: Two media channels were selected and developed in fiscal 2014. First, donor interest in the Magna Carta exhibit provided an excellent opportunity to pilot a website of comprehensive information (including dates) of Law Library Magna Carta exhibit events. Second, with a new donor base created from Magna Carta fundraising, the Law Library piloted a newsletter (working title: Excelsior) for donors. The development of the website and the newsletter enabled the Law Library to meet the goal of keeping donors engaged in the activities and programs of the Law Library. These efforts provide access to the Library's unique and universal collection of knowledge.

Annual Performance Goal: Continue New Acquisitions Program (NAP) at highest level under available funding. Inventory all items circulated to enable accurate records (including Automatic Call Slip upgrades). Inventory all items transferred to off-site storage facilities.

Performance Target: 800,000 or more items transferred to Ft. Meade compatible shelving at Landover Center Annex by May 31, 2014.

Accomplishment: In fiscal 2014, the Library transferred 1,023,363 items to Landover Center Annex as part of the "mini" Ft. Meade project. Additional Ft. Meade compatible shelving was made available and additional items were able to be transferred accordingly. A total of 1,290,000 general collection items were inventoried through three key programs that facilitate the retrieval and tracking of both retrospective holdings and new acquisitions at on-site and off-site storage locations. This work also relieved some of the storage space shortages on Capitol Hill. However, acquiring significant additional storage remains a top priority. Currently, books are still on the floors and book trucks are lined-up in many stack areas.

Annual Performance Goal: Complete timely review of financial disclosure documents.

Performance Target: Completed review of 100% of financial disclosures where no extension requested.

Accomplishment: The Office of the General Counsel (OGC) updated the House of Representative's

online system and determined that the Library has a total of 312 filers this year. The OGC completed its review of all individuals who timely filed and did not request an extension. The completion of this goal ensured the Library's compliance with federal law. In addition, because OGC routinely responded to questions from staff--many of whom had questions about the new online system--OGC's assistance supported the transition to the online filing system.

Annual Performance Goal: Negotiate appropriate blanket licensing agreements.

Performance Target: One agreement executed by September 30, 2014.

Accomplishment: In fiscal 2014, the Office of the General Counsel (OGC) has initiated negotiating one blanket licensing agreement and will continue to pursue reaching an agreement during the first quarter of fiscal 2015. Such an agreement (and future agreements) will enhance the public's ability to access music on the Library of Congress website, and reduce the internal workload.

Annual Performance Goal: Procure network equipment and cabling capable of supporting an increase in bandwidth capacity from 1GB to 10GB between the Core, Distribution, and Access Switches in the three (3) Library buildings on the Capitol Hill Campus.

Performance Target: All deliverables involved in procuring network equipment and cabling capable of supporting an increase in bandwidth capacity from 1GB to 10GB between the Core, Distribution, and Access Switches in the three (3) Library buildings on the Capitol Hill Campus have been completed.

Accomplishment: All network equipment and cabling required to support an increase in bandwidth capacity from 1GB to 10GB between the Core, Distribution, and Access Switches in the three (3) Library buildings on the Capitol Hill Campus were successfully procured in fiscal 2014. Upgrading cabling between buildings and telecom closets in the Madison Building will expand throughput to prevent over subscribing the existing links between the switching equipment. This upgrade will provide better performance for bandwidth intensive operations such as ingest, Copyright examination and scanning.

Annual Performance Goal: Conduct acquisitions gap analysis and implement at least four recommendations from identified gap areas.

Performance Target: At least four recommendations in development.

Accomplishment: The report resulting from the gap analysis has been drafted but is not in final, pending integration of edits from the Office of Contracts and Grants Management (OCGM) & the Office of the Chief Financial Officer (OCFO). OCFO was able to implement four recommendations in fiscal 2014. The four recommendations that were implemented were: (1) acquisitions user training; (2) Momentum screen redesign; (3) new acquisitions reports; and (4) Momentum vendor table cleanup. Finally, while not a specific recommendation in the draft gap analysis, Momentum will be upgraded in fiscal year 2015. The newer version of Momentum includes enhanced acquisition functionality that should help to address solicitation and contract generation gaps. The Momentum acquisitions gap analysis was intended to identify areas where improvements could be made to the usability of the Momentum system for those involved in the acquisitions process. Users from across the Library, as well as the General Counsel's Office, participated in the gap analysis, thus ensuring that all perspectives were addressed. By systematically implementing the recommendations resulting from the gap analysis, OCFO has, and will continue to, address the highest-priority needs of the Library's acquisitions community.

Annual Performance Goal: Fundraise for the Magna Carta exhibit and add new donors to the Law Library donor base.

Performance Target: Add eight (8) new donors to the donor base of the Law Library of Congress through fundraising for the Magna Carta exhibit.

Accomplishment: The fundraising goal for the Magna Carta exhibit was met. Over 20 new donors (individuals, corporations, and foundations) were added to the Law Library donor base in fiscal 2014. The successful fundraising ensured the opening of the exhibit which will provide access to unique Library resources and will bring great visibility to the Library and its treasures. Through collaboration on projects with the American Bar Association and external organizations, the Library is able to achieve its strategic goal of advancing knowledge and creativity.

Annual Performance Goal: Implement a Library-wide process for the selection and deployment of mobile apps to serve the business needs of the Library.

Performance Target: All deliverables required to implement a Library-wide process for the selection and deployment of mobile apps to serve the business needs of the Library are complete.

Accomplishment: The project has been chartered and a milestone chart was completed in fiscal 2014. An initial set of applications was identified and the review processes have been drafted and are currently in review. The Office of Strategic Initiatives anticipates that the project schedule will be completed in the first quarter of fiscal 2015. Once completed, this project will allow for greater functionality on mobile devices, including, but not limited to the ability to edit and create documents, access social media and better access to online research.

Annual Performance Goal: Implement Library owned smart phones and enable user owned smart phones.

Performance Target: 100% of Library BlackBerry devices will be converted to smart phones.

Accomplishment: In fiscal 2014, all BlackBerry devices were converted to smart phones either through Library-owned iPhones or through Bring Your Own Device (BYOD) capabilities. These replacement systems allow users to access Library email and documents with comparable security and functional parameters. This replacement positions the Library for future smartphone and tablet developments, and mitigates possible loss of support from the previous vendor. It also centralizes billing and maintenance of devices, promoting economies of scale.

Annual Performance Goal: Implement a Library-wide procurement and deployment process for tablet devices.

Performance Target: All deliverables required to implement a Library-wide procurement and deployment process for tablet devices are complete.

Accomplishment: In fiscal 2014, the project was chartered and a milestone chart was developed. The project is currently on schedule with the milestone chart. The project builds on the groundwork laid for a key infrastructure service: remote access. Validated tablets extend the productivity of library staff

working with Congress, patrons and visitors. Validated tablets provide access to timely information and communications, while protecting the integrity of the Library's information resources. The project is underway and will be complete by December 1, 2014.

Annual Performance Goal: The fiscal 2014 performance informs fiscal 2016 budget deliberations.

Performance Target: The Library's fiscal 2014 performance assessment information and 2015 annual plan is complete and available in eLCplans for fiscal 2016 annual planning by September 30, 2014.

Accomplishment: The Library's fiscal 2014 performance assessment information and 2015 annual plan are available in eLCplans for fiscal 2016 annual planning. A performance review meeting was held August 27, 2014 and a second meeting was held September 17, 2014. The Office of the Chief Financial Officer (OCFO) is responsible for the synchronization of the planning and performance processes, which informs budget preparation. These efforts provide information for effective management decision making and allocation of resources as the Library executes its budget.

Annual Performance Goal: Complete regular performance meetings covering two months of performance (July-August) to establish basis for fiscal 2015 performance meeting process.

Performance Target: Two performance meetings held by September 30, 2014.

Accomplishment: In fiscal 2014, two performance meetings were held to establish a basis for the fiscal 2015 performance meeting process. The July performance review was held on August 27, 2014. The August performance review was held on September 17, 2014. The Office of the Chief Financial Officer (OCFO) is responsible for establishing and managing a platform for Library management to conduct regular performance meetings. Library-wide performance meetings provide timely information for management decisions.

Internal Control Program, Systems, Controls, and Legal Compliance

The Library has an Internal Control Program 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 Library of Congress Regulation (LCR) 1510-1, Internal Control Program, 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 2014, all Library modules (124) performed VAs on the identified financial and non-financial programs. Based on the results of the level of risk provided by the VAs, 48 modules conducted Detailed Control Reviews (DCRs). DCRs examine if control techniques are in place and working as intended. These 48 DCRs yielded 24 new Corrective Action Plans (CAPs). These CAPs will be monitored and tracked by program officials and verification reviewers until the deficiencies are resolved. Of the 24 CAPs, three were rated as Significant Deficiencies. The rest were rated as 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 management 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, 2014 and 2013

(in thousands)

	FY 2014	FY 2013
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 287,396	\$ 257,103
Investments (Note 3)	34,273	31,706
Accounts Receivable, Net (Note 4.A)	18,170	30,806
Other Intragovernmental Assets	73	304
Total Intragovernmental	339,912	319,919
Cash and Other Monetary Assets (Note 1.G)	325	144
Pledges Receivable – Donations (Note 4.B)	7,316	8,718
Investments (Note 3)	122,507	115,554
Inventory and Operating Materials (Note 1.K)	352	425
Property and Equipment, Net (Note 5)	50,110	59,351
Beneficial Interest in Perpetual Trust (Note 1.Q.3)	2,570	2,428
Other Assets (Note 4.A)	478	347
Library Collections (Note 1.M)		
TOTAL ASSETS	\$ 523,570	\$ 506,886
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 2,945	\$ 2,425
Advances from Others	39,571	42,123
Accrued Unfunded Workers' Compensation (Note 8)	1,789	1,889
Other Intragovernmental Liabilities (Note 10)	16	27
Total Intragovernmental	44,321	46,464
Accounts Payable and Accrued Funded Payroll, Benefits	59,002	55,161
Deposit Account Liability	6,338	6,779
Accrued Unfunded Annual and Compensatory Leave	24,934	26,149
Actuarial Unfunded Workers' Compensation (Note 8)	8,590	8,923
Other Liabilities (Note 10)	4,236	5,573
TOTAL LIABILITIES	\$ 147,421	\$ 149,049
Commitments and Contingencies (Note 9)		
NET POSITION		
Unexpended Appropriations – All Other Funds	\$ 154,820	\$ 141,486
Cumulative Results of Operations – All Other Funds	27,591	35,064
Total Net Position – All Other Funds	182,411	176,550
Cumulative Results of Operations – Dedicated Collections (Combined) (Note 17)	193,738	181,287
Total Net Position – Dedicated Collections (Combined) (Note 17)	193,738	181,287
TOTAL NET POSITION	\$ 376,149	\$ 357,837
TOTAL LIABILITIES AND NET POSITION	\$ 523,570	\$ 506,886

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, 2014 and 2013

	(in thousands)	
	FY 2014	FY 2013
NET COSTS BY PROGRAM AREA		
Library Services:		
Program Costs	\$ 395,041	\$ 406,468
Less: Earned Revenue	(2,809)	(3,256)
Net Program Costs	392,232	403,212
Law Library:		
Program Costs	23,742	22,556
Less: Earned Revenue	(1)	(1)
Net Program Costs	23,741	22,555
Copyright Office:		
Program Costs	70,738	70,168
Less: Earned Revenue	(34,247)	(32,484)
Net Program Costs	36,491	37,684
Congressional Research Service:		
Program Costs	135,335	133,021
Less: Earned Revenue	(2)	(3)
Net Program Costs	135,333	133,018
National Library Service for the Blind and Physically Handicapped:		
Program Costs	56,743	51,208
Less: Earned Revenue	(3)	(3)
Net Program Costs	56,740	51,205
Revolving and Reimbursable Funds:		
Program Costs	113,834	105,500
Less: Earned Revenue	(89,505)	(85,452)
Net Program Costs	24,329	20,048
NET COSTS OF OPERATIONS	\$ 668,866	\$ 667,722

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, 2014 and 2013

(in thousands)

	FY 2014			FY 2013		
	Dedicated Collections (Combined)	All Other Funds (Combined)	Consolidated Total	Dedicated Collections (Combined)	All Other Funds (Combined)	Consolidated Total
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balances	\$ 181,287	\$ 35,064	\$ 216,351	\$ 170,249	\$ 40,066	\$ 210,315
Budgetary Financing Sources:						
Appropriations Used	0	558,963	558,963	0	562,134	562,134
Non-exchange Revenue	409	0	409	423	0	423
Donations of Cash or Securities	10,403	0	10,403	6,775	1	6,776
Transfers In/(Out) Without Reimbursement	0	0	0	0	0	0
Other	2,407	0	2,407	2,573	0	2,573
Other Financing Sources (Non-exchange):						
Donations of Property and Services	688	0	688	341	0	341
Transfers In/(Out) Without Reimbursement	(13)	13	0	(106)	106	0
Imputed Financing	2,812	90,071	92,883	3,728	87,318	91,046
Other	8,091	0	8,091	10,474	(9)	10,465
Total Financing Sources	24,797	649,047	673,844	24,208	649,550	673,758
Net Cost of Operations	(12,346)	(656,520)	(668,866)	(13,170)	(654,552)	(667,722)
Net Change	12,451	(7,473)	4,978	11,038	(5,002)	6,036
CUMULATIVE RESULTS OF OPERATIONS	\$ 193,738	\$ 27,591	\$ 221,329	\$ 181,287	\$ 35,064	\$ 216,351
UNEXPENDED APPROPRIATIONS						
Beginning Balances	\$0	\$141,486	\$141,486	\$0	\$151,519	151,519
Budgetary Financing Sources:						
Appropriations Received	0	578,982	578,982	0	588,607	588,607
Appropriations Transferred In/(Out)	0	0	0	0	0	0
Other Adjustments	0	(6,685)	(6,685)	0	(36,506)	(36,506)
Appropriations Used	0	(558,963)	(558,963)	0	(562,134)	(562,134)
Total Budgetary Financing Sources	0	13,334	13,334	0	(10,033)	(10,033)
TOTAL UNEXPENDED APPROPRIATIONS	0	154,820	154,820	0	141,486	141,486
NET POSITION	\$ 193,738	\$ 182,411	\$ 376,149	\$ 181,287	\$ 176,550	\$ 357,837

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, 2014 and 2013

(in thousands)

	FY 2014	FY 2013
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 81,176	\$ 90,065
Recoveries of prior year unpaid obligations	17,589	25,761
Other changes in unobligated balance (+ or -)	(6,685)	(5,790)
Unobligated balance from prior year budget authority, net	92,080	110,036
Appropriations (discretionary and mandatory)	591,822	572,720
Spending authority from offsetting collections (discretionary and mandatory)	146,835	142,847
TOTAL BUDGETARY RESOURCES	\$ 830,737	\$ 825,603
STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 18)	\$ 753,289	\$ 744,427
Unobligated balance, end of year:		
Exempt from apportionment	65,411	65,516
Unapportioned	12,037	15,660
Total unobligated balance, end of year	77,448	81,176
TOTAL BUDGETARY RESOURCES	\$ 830,737	\$ 825,603
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1 (gross)	\$ 221,889	\$ 257,624
Obligations incurred	753,289	744,427
Outlays (gross) (-)	(715,702)	(754,401)
Recoveries of prior year unpaid obligations (-)	(17,589)	(25,761)
Unpaid obligations, end of year (gross)	241,887	221,889
Uncollected Payments:		
Uncollected payments from federal sources, brought forward, October 1 (-)	(30,809)	(20,240)
Change in uncollected payments from federal sources (+ or -)	11,860	(10,569)
Uncollected payments from federal sources, end of year (-)	(18,949)	(30,809)
OBLIGATED BALANCE, START OF YEAR (NET)	\$ 191,080	\$ 237,384
OBLIGATED BALANCE, END OF YEAR (NET)	\$ 222,938	\$ 191,080
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 738,657	\$ 715,567
Actual offsetting collections (discretionary and mandatory) (-)	(158,695)	(132,278)
Change in uncollected customer payments from federal sources (discretionary and mandatory) (+ or -)	11,860	(10,569)
BUDGET AUTHORITY, NET (DISCRETIONARY AND MANDATORY)	\$ 591,822	\$ 572,720
Outlays, gross (discretionary and mandatory)	\$ 715,702	\$ 754,401
Actual offsetting collections (discretionary and mandatory) (-)	(158,695)	(132,278)
Outlays, net (discretionary and mandatory)	557,007	622,123
Distributed offsetting receipts (-)	(1,001)	(479)
AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)	\$ 556,006	\$ 621,644

(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****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 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 de facto 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 U.S. Copyright Office works closely with the Judiciary Committees of the House and Senate, which have oversight of copyright laws. 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 2014 and 2013. 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 (See Note 20).

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 Library of Congress Regulation (LCR) 1510, Financial Services, 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.

For fiscal 2014 (and 2013) the statements include 4 (4) appropriated fund accounts; 26 (26) revolving and gift revolving funds; 37 (37) reimbursable funds; 107 (106) TFB funds; and 133 (137) gift funds, 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 2014 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 2014 and 2013, vendors provided in-kind donations for the Library's annual book festival. At times, the Ira and Leonore Gershwin Trust Fund known as Trust fbo The Library of Congress 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 net asset value of approximately \$175.4 million and \$165.9 million during fiscal years 2014 and 2013, 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 the following options for investment of TFB funds:

- a permanent loan with the U.S. Treasury
- a pool of U.S. Treasury market-based securities
- private investment pools consisting of the following stock, index and money market funds. The funds recommended by the TFB's Investment Committee and approved by the Board during fiscal 2014 are:
 - Harbor Capital Appreciation Fund
 - HS Management
 - Diamond Hill Investments
 - Institutional Capital Corporation (ICAP) Investments
 - DSM Large Cap Growth Fund
 - Vaughan Nelson Investment Management
 - Frontier Capital Management
 - Thornburg International Value Fund
 - iShares MSCI EAFE Index Fund
 - Europacific Growth Fund
 - Dodge & Cox International Fund
 - Lazard Emerging Markets Fund
 - Dodge & Cox Income Fund
 - PIMCO Total Return Fund
 - Brandywine Global Opportunistic Fund
 - Templeton Global Bond Fund
 - Double Line Total Return Fund
 - Hotchkis & Wiley High Yield Fund
 - PIMCO Short-Term Fund
 - Payden Limited Maturity Fund

and utilized during fiscal 2013:

- Harbor Capital Appreciation Fund
- HS Management
- Diamond Hill Investments
- Institutional Capital Corporation (ICAP) Investments
- Vaughan Nelson Investment Management
- Frontier Capital Management
- Thornburg International Value Fund

- Lazard Emerging Markets Fund
- Dodge & Cox Income Fund
- PIMCO Total Return Fund
- Brandywine Global Opportunistic Fund
- Templeton Global Bond Fund
- Double Line Total Return Fund
- Hotchkis & Wiley High Yield Fund
- PIMCO Short-Term Fund
- Payden Limited Maturity Fund

The policy for gift funds allows for investment in the same manner as TFB funds.

Under 2 U.S.C. 158, up to \$10 million of the Library's 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 4% 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 interagency agreements for contracting and/or accounts payable services related to database retrieval and other library services. The Library has established a percentage allowance for doubtful accounts against accounts receivable due from non-federal customers, based on past collection experience. The majority of intragovernmental receivables are likely to be totally collected so 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.", the Library does not record a percentage allowance for doubtful accounts for intragovernmental accounts receivable. An allowance has been established for intragovernmental bills that are three or more years old and for which collection efforts continue.

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 \$50,000 or more (\$25,000 in fiscal years 2013 and prior). 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 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 \$750,000 (\$250,000 per item acquired in fiscal years 2011 to 2013, \$100,000 per item acquired in fiscal years 1998 to 2010).

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 the 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 \$250,000 (\$100,000 for fiscal years 2013 and prior).

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, 2014 and 2013 the Library had 92 and 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 within Title 5, Part III, of the U. S. Code, 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 15% and 17% of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2014 and 2013, respectively, to which the Library makes contributions equal to 7.0% of pay. Of those participating in CSRS, approximately 2% during fiscal years 2014 and 2013 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 81% and 80% of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2014 and 2013, respectively, to which the Library's normal contribution was 11.9% and 11.9% of pay during fiscal years 2014 and 2013. Of those participating in FERS, approximately 3.9% during fiscal year 2014 are under the revised annuity (FERS-Revised Annuity Employees (RAE) and FERS-Further Revised Annuity Employees (FRAE)) rates effective January 2013, to which the agency contribution rate was 9.6%. 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 4% of pay (matched dollar-for-dollar on the first 3% of pay and 50 cents on the dollar for the next 2% of pay). Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share of 6.2%.

Approximately 4% and 3% of the Library's employees were covered only by FICA during fiscal years 2014 and 2013, to which the Library contributes the employer's matching share of 6.2%.

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. However, 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. For CSRS the service cost factor was 32.8% and 32.3% during fiscal years 2014 and 2013, respectively. For FERS the service cost factor was 15.1% and 14.2% during fiscal years 2014 and 2013, respectively. Additionally, in fiscal year 2014, FERS employees under the revised annuity rates, the service cost factor was 15.7%. 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. Typically, this includes grounds and buildings maintenance, utilities and renovation costs funded by Architect of the Capitol, 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 database retrieval services through database 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 provided in the Department of States' 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 (retirees from AT&T and other telecom companies) and Elfuns (General Electric volunteers 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 – Beneficial Interest in Perpetual 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. 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.

In accordance with FASB ASC 958-605-30-14, in fiscal years 2014 and 2013, the Library recorded the fair value of the beneficial interest in this perpetual trust. The fair value of a perpetual trust held by a third party can generally be measured using the fair value of the assets contributed to the trust, unless other facts and circumstances indicate the amount of the beneficial interest is substantially different. The Library has the irrevocable right to receive one-half of the income earned on these trust assets in perpetuity, but the Library will never receive the assets held in trust.

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% 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 names 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.

In accordance with ASC 820-10-55, the Library has used the expected present value (EPV) Method 2, to record the fair value of this pledge receivable. The fair value is based on the present value (discounted) anticipated annual cash flows, discounted through 2033, when the trust will be liquidated.

R. Changes in Accounting Principles or Presentation

SFFAS #43, Funds from Dedicated Collections: Amending the SFFAS #27, Identifying and Reporting Earmarked Funds. (See Note 17)

This SFFAS #43 was effective in fiscal 2013 and early adoption was not permitted.

This standard changed the term "Earmarked Funds" to "Funds from Dedicated Collections" for clarity. The standard also modified the definition of the "Funds from Dedicated Collections" by clarifying that the term generally applies to financing from specifically identified revenues, originally provided to the government by non-federal sources, which remain available for future use over time. These 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. At least one material source of funds external to the federal government must exist for a fund to qualify. The standard also added an explicit exclusion for any fund established to account for pensions, other retirement benefits, other postemployment or other benefits provided for federal employees (civilian and military). Finally the standard and its related reporting is not intended to apply to immaterial amounts.

During fiscal 2013, upon review of the new standard, certain sources of funds were deemed to be primarily from other federal agencies. In addition, certain non-federal funds were deemed to be immaterial. These sources of funds have been removed from reporting requirements as "Funds from Dedicated Collections" and included as "All Other Funds," in accordance with the standard.

S. Subsequent Event and Contingent Liability

A subsequent event is an event or transaction that occurs subsequent to the end of the reporting period, but before the financial report is issued. Recognized events, which require adjustment to the financial statements, are subsequent events which provide additional evidence with respect to conditions that existed at the end of the reporting period and affect the estimates inherent in the process of preparing basic information and required supplementary information. Non-recognized events, which do not require adjustment to the financial statements, are subsequent events that provide evidence with respect to conditions that did not exist at the end of the reporting period but arose subsequent to that date.

There were no subsequent events or contingencies which affected the fiscal 2014 financial statements. The following information relates to the fiscal 2013 financial statements:

In prior periods, a charitable foundation (“the Foundation”) donated \$3 million to the Library for the purpose of renovating property for use as a Residential Scholars Center (RSC). For a number of reasons, the project was cancelled and the Library’s efforts were directed to support visiting scholars via a new Knowledge Navigators Program.

On October 21, 2013, the Librarian directed that the portion of funds received from the Foundation which had not yet been expended be returned to the Foundation. The amount was legally due back to the Foundation and the final Library commitment to return the funds was made in October 2013. This constitutes a recognized event and the amount of \$1.9 million was recorded as a contingent liability on the balance sheet as of September 30, 2013 (See Note 10).

The remaining \$1.1 million had been expended in furtherance of the RSC project. While the Library was not required to return the previously expended funds, it was determined to be both legal and in the long term interest of the Library to return the funds to the Foundation. The process entailed transferring RSC obligations to other properly available accounts as of the date the obligations were originally made. This action effectively credited those amounts back to the Foundation gift accounts from which a refund check was subsequently issued. This event occurred subsequent to September 30, 2013, is considered to be a non-recognized event, and was not recorded in the financial statements for fiscal 2013.

NOTE 2	FUND BALANCE WITH TREASURY
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A. Fund Balance with Treasury as of September 30, 2014 and 2013 is summarized as follows:

	(in thousands)	
	FY 2014	FY 2013
Appropriated Funds	\$ 185,837	\$ 170,400
Revolving and Reimbursable Funds	85,385	70,321
Gift and TFB Funds ¹	15,346	15,459
Deposit and Other Funds	828	923
TOTAL	\$ 287,396	257,103

¹ As of September 30, 2014 and 2013, 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 4.0% and 4.0%, respectively.

B. Status of Fund Balance with Treasury

	(in thousands)	
	FY 2014	FY 2013
Unobligated Balances – Available	\$ 39,168	\$ 39,562
Unobligated Balances – Unavailable	24,208	25,532
Obligated Balances Not Yet Disbursed	223,172	191,086
Non-budgetary	848	923
TOTAL	\$ 287,396	257,103

NOTE 3	INVESTMENTS, NET
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Investments as of September 30, 2014 and 2013 are as follows:

(in thousands)			
FY 2014	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 34,274	\$	\$ 34,274
Cost		94,789	94,789
Unamortized Premium	0		
Unrealized Discount	(1)		(1)
Interest Receivable	0		
INVESTMENTS, NET	\$ 34,273	\$ 94,789	\$ 129,062
MARKET VALUE	\$ 34,749	\$ 122,507	\$ 157,256

(in thousands)			
FY 2013	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 31,706	\$ 0	\$ 31,706
Cost	0	95,895	95,895
Unamortized Premium	0	0	0
Unrealized Discount	0	0	0
Interest Receivable	0	0	0
INVESTMENTS, NET	\$ 31,706	\$ 95,895	\$ 127,601
MARKET VALUE	\$ 31,724	\$ 115,554	\$ 147,278

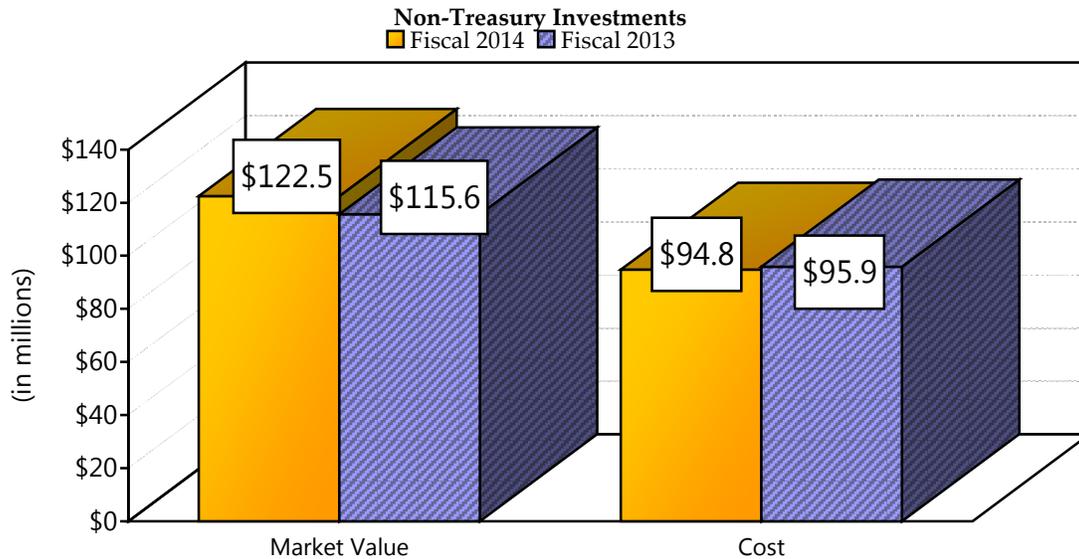
A. Intragovernmental Investments

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 2014 and 2013 range from November 29, 2013 to January 2, 2015 and January 10, 2013 to February 20, 2014, respectively, and interest rates for the same fiscal years range from 0.005% to .075% and 0.005% to 0.115%, respectively.

B. Other Investments

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

Balances as of September 30, 2014 and 2013 are as follows:



NOTE 4

RECEIVABLES

The breakdown of consolidated gross and net accounts receivable as of September 30, 2014 and 2013 are as follows:

A. Accounts Receivable

	(in thousands)	
	FY 2014	FY 2013
Intragovernmental:	\$	
Accounts Receivable, Gross	18,724	30,806
Less: Allowance for Doubtful Accounts	(554)	0
Accounts Receivable, Net	18,170	30,806
With the Public:		
Accounts Receivable, Gross	491	464
Less: Allowance for Doubtful Accounts	(13)	(117)
ACCOUNTS RECEIVABLE, NET	\$ 478	\$ 347

B. Pledges Receivable

As of September 30, 2014 and 2013, the Library had unconditional pledges of contributions totaling \$9.5 million and \$11.4 million, which were discounted through fiscal 2033 at market discount rates and included in the statement of financial position at their discounted value of \$7.3 million and \$8.7 million, respectively.

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

(in thousands)		
	FY 2014	FY 2013
2014	\$ 0	\$ 2,423
2015	1,448	1,251
2016	1,227	1,152
2017	1,139	1,054
2018	1,097	1,008
2019 and thereafter	2,405	1,830
TOTAL	\$ 7,316	\$ 8,718

NOTE 5	PROPERTY AND EQUIPMENT
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Property and equipment that were capitalized as of September 30, 2014 and 2013 are as follows:

(in thousands)						
Classes of Property and Equipment	FY 2014			FY 2013		
	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Operating Equipment	\$ 88,287	\$ 72,376	\$ 15,911	\$ 85,766	\$ 67,181	\$ 18,585
Software	73,473	54,668	18,805	73,234	50,474	22,760
Furniture & Furnishings	1,945	1,123	822	1,919	1,037	882
Leasehold Improvements	40,445	25,990	14,455	40,439	23,315	17,124
Leasehold Improvements-In Progress	117	0	117	0	0	0
TOTAL	\$ 204,267	\$ 154,157	\$ 50,110	\$ 201,358	\$ 142,007	\$ 59,351

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 2014	FY 2013
Intragovernmental Non-Entity Assets	\$0	\$ 0
Accounts Receivable-With the Public	16	17
Total Non-Entity Assets	\$ 16	\$ 17
Total Entity Assets	\$ 523,554	\$ 506,869
TOTAL ASSETS	\$ 523,570	\$ 506,886

NOTE 7	LEASES
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A. Capital Leases

The Library did not have assets under capitalized leases as of September 30, 2014 and 2013.

B. Operating Leases

The Library leases warehouse space, 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 2014 and 2013 amounted to \$7.9 million and \$9.6 million, respectively.

Under existing commitments as of September 30, 2014, estimated future minimum lease payments through fiscal year 2019 are as follows:

	(in thousands)	
	FY 2014	FY 2013
2014	\$ 0	\$ 6,002
2015	6,292	5,836
2016	6,380	4,489
2017	6,521	3,812
2018	6,586	3,849
2019 and thereafter	33,472	12,955
TOTAL ESTIMATED FUTURE LEASE PAYMENTS	\$ 59,251	\$ 36,943

NOTE 8**WORKERS' COMPENSATION**

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 \$1.8 million and \$1.9 million of unbilled or unpaid workers' compensation costs as of September 30, 2014 and 2013, 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 \$8.6 million and \$8.9 million as of September 30, 2014 and 2013, 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**

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.

Please also see Note 1.S Subsequent Event and Contingent Liability.

NOTE 10	OTHER LIABILITIES
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Other Liabilities as of September 30, 2014 and 2013 are comprised of the following:

(in thousands)		
	FY 2014	FY 2013
Other Liabilities-Intragovernmental:		
Liability to Treasury General Fund	\$ 16	\$ 27
Total Intragovernmental	16	27
Contingent Liability (see Note 1.S)	0	1,855
Advances From the Public	4,236	3,718
Total With the Public	4,236	5,573
TOTAL	\$ 4,252	\$ 5,600

NOTE 11	LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES
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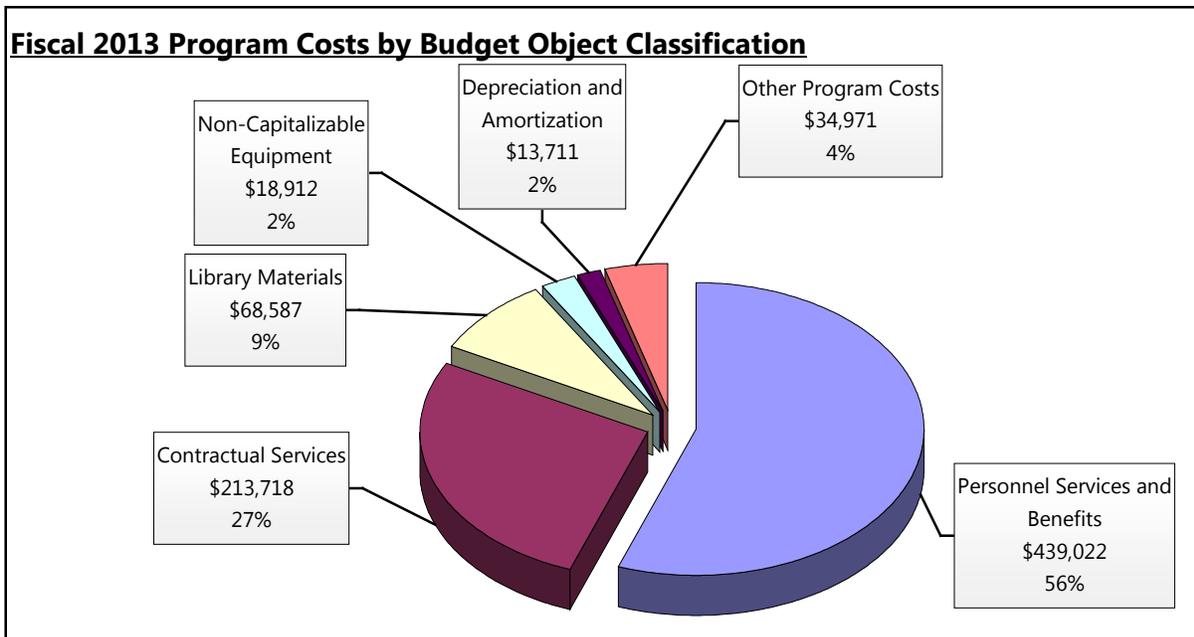
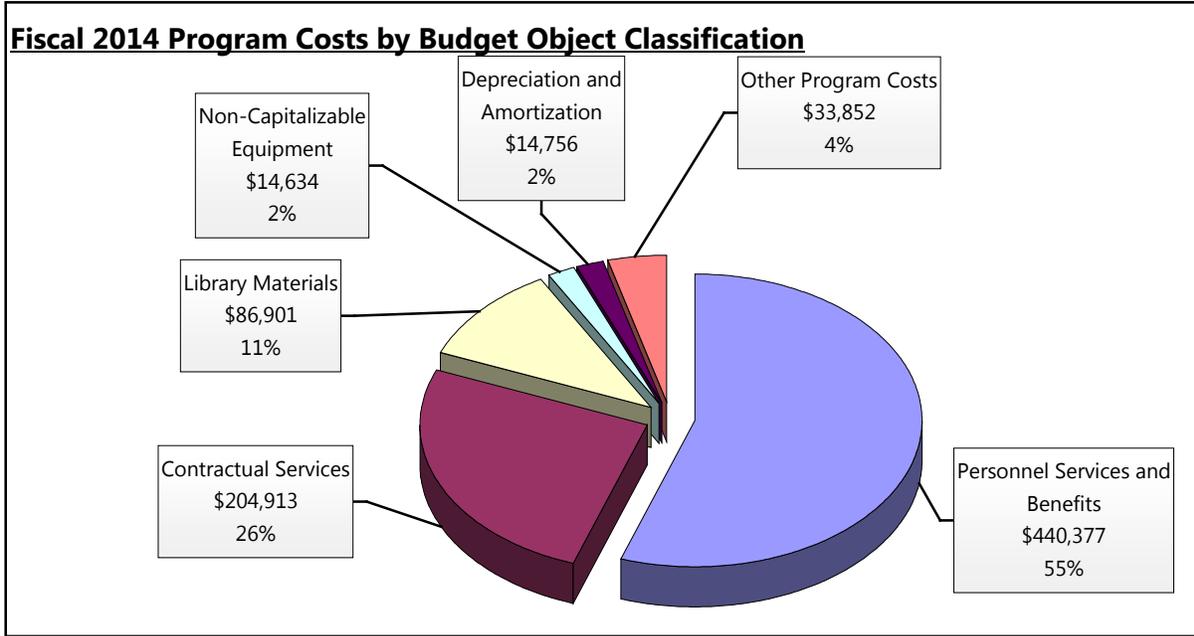
(in thousands)		
	FY 2014	FY 2013
Liabilities Covered by Budgetary Resources	\$ 112,108	\$ 110,234
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental	1,789	1,889
With the Public	33,524	36,926
TOTAL	\$ 147,421	\$ 149,049

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

(in thousands)



The Library's collections are classified as Heritage Assets. \$30.9 million and \$25 million of the amount designated as Library Materials above represents the cost incurred by the Library for Heritage Assets in fiscal years 2014 and 2013, respectively,

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

(in thousands)

	FY 2014	FY 2013
Commerce and Housing Credit	\$ 55,182	\$ 55,043
Education, Training, Employment, and Social Services	626,960	620,890
General Government	113,291	112,988
TOTAL	\$ 795,433	\$ 788,921

B. Earned Revenue by Functional Classification

(in thousands)

	FY 2014	FY 2013
Commerce and Housing Credit	\$ 34,245	\$ 32,482
Education, Training, Employment, and Social Services	92,270	88,701
General Government	52	16
TOTAL	\$ 126,567	\$ 121,199

NOTE 14	EXCHANGE REVENUES
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In accordance with LCR 1510 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 for Copyright registrations. The Act does not require the recovery of the full costs of operations, but rather the Register of Copyrights 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

		(in thousands)	
		FY 2014	FY 2013
Audio-Visual Duplication Services:	Program Cost	\$ 170	\$ 181
	Less: Earned Revenue	(127)	(122)
	Net Program Cost	43	59
Cooperative Acquisitions Program:	Program Cost	2,919	2,744
	Less: Earned Revenue	(2,862)	(2,896)
	Net Program Cost	57	(152)
Decimal Classification:	Program Cost	138	117
	Less: Earned Revenue	(41)	(139)
	Net Program Cost	97	(22)
Document Reproduction and Microfilm Services:	Program Cost	1,168	1,313
	Less: Earned Revenue	(618)	(859)
	Net Program Cost	550	454
Gift Shop Operations:	Program Cost	1,820	1,810
	Less: Earned Revenue	(1,906)	(2,000)
	Net Program Cost	(86)	(190)
Federal Research Program:	Program Cost	4,119	4,603
	Less: Earned Revenue	(4,723)	(4,361)
	Net Program Cost	(604)	242
FEDLINK:	Program Cost	79,751	72,848
	Less: Earned Revenue	(75,332)	(70,974)
	Net Program Cost	4,419	1,874
Special Events:	Program Cost	3,286	2,844
	Less: Earned Revenue	(1,257)	(1,823)
	Net Program Cost	2,029	1,021
	Total Program Cost	93,371	86,460
	Less: Total Earned Revenue	(86,866)	(83,174)
	TOTAL PROGRAM COSTS	\$ 6,505	\$ 3,286

These programs are discussed further in Note 1.D.

NOTE 16	CLASSIFICATION OF PROGRAM COSTS
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(in thousands)

FY 2014	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
Library Services	\$ 112,818	\$ 56	\$ 281,933	\$ 234	\$ 395,041
Law Library	6,318	4	17,420	0	23,742
Copyright Office	16,969	10	53,759	0	70,738
Congressional Research Service	27,069	10	108,256	0	135,335
National Library Service for the Blind and Physically Handicapped	6,574	7	50,162	0	56,743
Revolving and Reimbursable Funds	6,935	42	106,857	0	113,834
TOTAL	\$ 176,683	\$ 129	\$ 618,387	\$ 234	\$ 795,433

(in thousands)

FY 2013	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
Library Services	\$ 122,697	\$ 17	\$ 283,706	\$ 48	\$ 406,468
Law Library	7,076	1	15,479	0	22,556
Copyright Office	18,747	12	51,409	0	70,168
Congressional Research Service	30,559	14	102,448	0	133,021
National Library Service for the Blind and Physically Handicapped	7,582	16	43,610	0	51,208
Revolving and Reimbursable Funds	9,618	13	95,869	0	105,500
TOTAL	\$ 196,279	\$ 73	\$ 592,521	\$ 48	\$ 788,921

NOTE 17**FUNDS FROM DEDICATED COLLECTIONS**

SFFAS No. 43, "Funds from Dedicated Collections: Amending the SFFAS #27, Identifying and Reporting Earmarked Funds," adopted in fiscal 2013 (see Note 1.R), defines "funds from dedicated collections" 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 funds from dedicated collections. The Library's funds from dedicated collections 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 \$2.9 million and \$3.3 million for fiscal years 2014 and 2013, 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 \$29.7 million and \$27.7 million for fiscal years 2014 and 2013, 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 \$13.4 million and \$9.9 million for fiscal years 2014 and 2013, respectively;
- Copyright Licensing Expenses revenues of \$3.7 million and \$4.8 million for fiscal years 2014 and 2013, respectively, which is authorized under the Copyright Act (17 U.S.C.) to collect fees to cover and pay administrative costs.

The federal government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for funds from dedicated collections 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, 2014, is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

	(in thousands)				
FY 2014 (Combined)	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Copyright Licensing Expenses	Total Dedicated Collections
Balance Sheet:					
Fund Balance with Treasury	\$ 15,960	\$ 9,458	\$ 13,210	\$ 0	\$ 38,628
Investments in U.S. Treasury Securities	0	0	28,743	0	28,743
Other Assets	2,308	954	132,405	0	135,667
TOTAL ASSETS	\$ 18,268	\$ 10,412	\$ 174,358	\$ 0	\$ 203,038
Liabilities	\$ 3,910	\$ 4,772	\$ 618	\$ 0	\$ 9,300
Cumulative Results of Operations	14,358	5,640	173,740	0	193,738
TOTAL LIABILITIES AND NET POSITION	\$ 18,268	\$ 10,412	\$ 174,358	\$ 0	\$ 203,038
Statement of Net Cost:					
Program Costs	\$ 30,605	\$ 9,990	\$ 13,418	\$ 3,745	\$ 57,758
Less: Earned Revenue	(32,608)	(8,906)	(153)	(3,745)	(45,412)
NET COST OF OPERATIONS	\$ (2,003)	\$ 1,084	\$ 13,265	\$ 0	\$ 12,346
Statement of Changes in Net Position:					
Net Position, Beginning	\$ 10,466	\$ 6,024	\$ 164,797	\$ 0	\$ 181,287
Net Cost	2,003	(1,084)	(13,265)	0	(12,346)
Non-Exchange Revenues and Donation Receipts	0	0	10,812	0	10,812
Other Financing Sources	1,889	700	11,396	0	13,985
Change in Net Position	3,892	(384)	8,943	0	12,451
NET POSITION, ENDING	\$ 14,358	\$ 5,640	\$ 173,740	\$ 0	\$ 193,738

Fiscal data as of, and for the year ended September 30, 2013 is summarized below.

FY 2013 (Combined)	(in thousands)				
	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Copyright Licensing Expenses	Total Dedicated Collections
Balance Sheet:					
Fund Balance with Treasury	\$ 12,891	\$ 9,721	\$ 13,909	\$ 0	\$ 36,521
Investments in U.S. Treasury Securities	0	0	25,870	0	25,870
Other Assets	1,626	678	127,472	0	129,776
TOTAL ASSETS	\$ 14,517	\$ 10,399	\$ 167,251	\$ 0	\$ 192,167
Liabilities					
Liabilities	\$ 4,051	\$ 4,375	\$ 2,454	\$ 0	\$ 10,880
Cumulative Results of Operations	10,466	6,024	164,797	0	181,287
TOTAL LIABILITIES AND NET POSITION	\$ 14,517	\$ 10,399	\$ 167,251	\$ 0	\$ 192,167
Statement of Net Cost:					
Program Costs	\$ 33,184	\$ 9,598	\$ 11,189	\$ 4,761	\$ 58,732
Less: Earned Revenue	(31,026)	(9,601)	(174)	(4,761)	(45,562)
NET COST OF OPERATIONS	\$ 2,158	\$ (3)	\$ 11,015	\$ 0	\$ 13,170
Statement of Changes in Net Position:					
Net Position, Beginning	\$ 9,786	\$ 5,306	\$ 155,157	\$ 0	\$ 170,249
Net Cost	(2,158)	3	(11,015)	0	(13,170)
Non-Exchange Revenues and Donation Receipts	0	0	7,199	0	7,199
Other Financing Sources	2,838	715	13,456	0	17,009
Change in Net Position	680	718	9,640	0	11,038
NET POSITION, ENDING	\$ 10,466	\$ 6,024	\$ 164,797	\$ 0	\$ 181,287

NOTE 18	BUDGETARY RESOURCES
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Budgetary resources are classified as follows:

(in thousands)

	FY 2014			FY 2013		
	Appropriated Capital	Non- Appropriated Capital	Combined	Appropriated Capital	Non- Appropriated Capital	Combined
<i>Budgetary Resources:</i>						
Unobligated balance brought forward, October 1	\$ 18,674	\$ 62,502	\$ 81,176	\$ 20,442	\$ 69,623	\$ 90,065
Recoveries of prior year unpaid obligations	5,581	12,008	17,589	14,153	11,608	25,761
Other changes in unobligated balance (+ or -)	(6,685)	0	(6,685)	(5,781)	(9)	(5,790)
Unobligated balance from prior year budget authority, net	17,570	74,510	92,080	28,814	81,222	110,036
Appropriations (discretionary and mandatory)	578,982	12,840	591,822	557,883	14,837	572,720
Spending authority from offsetting collections (discretionary and mandatory)	1,679	145,156	146,835	1,399	141,448	142,847
TOTAL BUDGETARY RESOURCES	\$ 598,231	\$ 232,506	\$ 830,737	\$ 588,096	\$ 237,507	\$ 825,603

<i>Status of Budgetary Resources:</i>						
Obligations incurred	\$ 581,896	\$ 171,393	\$ 753,289	\$ 569,422	\$ 175,005	\$ 744,427
Unobligated balance, end of year:						
Exempt from apportionment	4,700	60,711	65,411	3,599	61,917	65,516
Unapportioned	11,635	402	12,037	15,075	585	15,660
Total unobligated balance, end of year	16,335	61,113	77,448	18,674	62,502	81,176
TOTAL BUDGETARY RESOURCES	\$ 598,231	\$ 232,506	\$ 830,737	\$ 588,096	\$ 237,507	\$ 825,603

(in thousands)

	FY 2014			FY 2013		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<i>Change in Obligated Balance:</i>						
Unpaid obligations:						
Unpaid obligations, brought forward, October 1 (gross)	\$ 151,775	\$ 70,114	\$ 221,889	\$ 181,353	\$ 76,271	\$ 257,624
Obligations incurred	581,896	171,393	753,289	569,422	175,005	744,427
Outlays (gross) (-)	(558,303)	(157,399)	(715,702)	(584,847)	(169,554)	(754,401)
Recoveries of prior year unpaid obligations (-)	(5,581)	(12,008)	(17,589)	(14,153)	(11,608)	(25,761)
UNPAID OBLIGATIONS, END OF YEAR (GROSS)	169,787	72,100	241,887	151,775	70,114	221,889
Uncollected Payments:						
Uncollected customer payments from federal sources, brought forward, October 1 (-)	(8)	(30,801)	(30,809)	(397)	(19,843)	(20,240)
Change in uncollected customer payments from federal sources (+ or -)	(223)	12,083	11,860	389	(10,958)	(10,569)
UNCOLLECTED CUSTOMER PAYMENTS FROM FEDERAL SOURCES, END OF YEAR (-)	(231)	(18,718)	(18,949)	(8)	(30,801)	(30,809)
OBLIGATED BALANCE, START OF YEAR (NET)	151,767	39,313	191,080	180,956	56,428	237,384
OBLIGATED BALANCE, END OF YEAR (NET)	\$ 169,556	\$ 53,382	\$ 222,938	\$ 151,767	\$ 39,313	\$ 191,080

Budget Authority and Outlays, Net:						
Budget authority, gross (discretionary and mandatory)	\$ 580,661	\$ 157,996	\$ 738,657	\$ 559,282	\$ 156,285	\$ 715,567
Actual offsetting collections (discretionary and mandatory) (-)	(1,456)	(157,239)	(158,695)	(1,788)	(130,490)	(132,278)
Change in uncollected customer payments from federal sources (discretionary and mandatory) (+ or -)	(223)	12,083	11,860	389	(10,958)	(10,569)

(in thousands)

	FY 2014			FY 2013		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
Budget authority, net (discretionary and mandatory):	\$ 578,982	\$ 12,840	\$ 591,822	\$ 557,883	\$ 14,837	\$ 572,720
Outlays, gross (discretionary and mandatory)	\$ 558,303	\$ 157,399	\$ 715,702	\$ 584,847	\$ 169,554	\$ 754,401
Actual offsetting collections (discretionary and mandatory) (-)	(1,456)	(157,239)	(158,695)	(1,788)	(130,490)	(132,278)
Outlays, net (discretionary and mandatory)	556,847	160	557,007	583,059	39,064	622,123
Distributed offsetting receipts (-)	0	(1,001)	(1,001)	0	(479)	(479)
AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)	\$ 556,847	\$ (841)	\$ 556,006	\$ 583,059	\$ 38,585	\$ 621,644

A. For TFB funds, approximately \$15.3 and \$9.9 million of unobligated authority for fiscal years 2014 and 2013, respectively, at the donor's request, is restricted from being spent on program costs (income from investing restricted donations under the Library's real rate of return policy can be spent on program costs). These amounts are invested either in the permanent loan or in Treasury securities. An additional \$52.4 and \$53.4 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2014 and 2013, respectively.

B. Obligated undelivered orders, end of period:

(in thousands)

	FY 2014	FY 2013
Paid	\$ 148	\$ 374
Unpaid	179,716	164,318
TOTAL UNDELIVERED ORDERS, END OF PERIOD	\$ 179,864	\$ 164,692

C. Obligations incurred – Amounts Exempt from Apportionment:

(in thousands)

	FY 2014	FY 2013
Direct – Appropriated	\$ 581,896	\$ 569,422
Direct – Non Appropriated	19,921	31,849
subtotal Direct obligations incurred	601,817	601,271
Reimbursable – Non Appropriated	151,472	143,156
TOTAL OBLIGATIONS INCURRED	\$ 753,289	\$ 744,427

NOTE 19	RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET	
	(in thousands)	
	FY 2014	FY 2013
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 753,289	\$ 744,427
Less: Spending Authority from Offsetting Collections and Recoveries	(164,424)	(168,608)
Obligations, Net of Offsetting Collections and Recoveries	588,865	575,819
Less: Distributed Offsetting Receipts	(1,001)	(479)
Net Obligations	587,864	575,340
Other Resources:		
Donations of Property and Services	688	341
Imputed Financing from Costs Absorbed by Others	92,883	91,046
Exchange Revenue not in the Budget	(20)	(6)
Trust/Special Fund Exchange Revenue Receipts	(4,865)	(5,647)
Other Resources (+/-)	8,091	10,465
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	\$ 684,641	\$ 671,539
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 (+/-)	\$ (14,939)	\$ 17,935
Resources that Fund Expenses Recognized in Prior Period	(1,652)	(39)
Resources that Finance the Acquisition of Assets	(5,221)	(25,185)
Budgetary Offsetting Receipts that do not Affect Net Cost of Operations	1,001	479
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(3,017)	(2,195)
TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS	(23,828)	(9,005)
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	\$ 660,813	\$ 662,534
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	\$ 3	\$ 1,893
Total Components Requiring or Generating Resources in Future Periods	3	1,893
Components not Requiring or Generating Resources:		
Depreciation and Amortization	14,756	13,711
Revaluation of Assets or Liabilities	(7,157)	(10,469)
Other Costs not Requiring or Generating Budgetary Resources (+/-)	451	53
TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES	8,050	3,295
TOTAL COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD	8,053	5,188
NET COST OF OPERATIONS	\$ 668,866	\$ 667,722

NOTE 20

Fiduciary Activity and Net Assets
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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." There is no fiduciary activity or unobligated balance reflected in the Statement of Budgetary Resources 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 years 2014 and 2013 range from October 30, 2014 to August 31, 2015 and October 17, 2013 to August 31, 2014, respectively and interest rates for fiscal years 2014 and 2013 range from 0.01% to 0.375% and from 0.015% to 0.250% respectively.

Fiduciary Activity consists of the following:

	(in thousands)	
	FY 2014	FY 2013
Beginning Fiduciary Net Assets	\$ 834,192	\$ 848,240
Licensing Fees	316,764	315,373
Investment Earnings	805	781
Total Net Inflows to Fiduciary Net Assets	317,569	316,154
Payments to Copyright Owners	(2,444)	(324,432)
Refunds of Licensing Fees	(961)	(1,009)
Retained by Copyright Licensing for Administrative Costs	(3,745)	(4,761)
Total Outflows from Fiduciary Net Assets	(7,150)	(330,202)
Subtotal Net Fiduciary Activity	310,419	(14,048)
ENDING FIDUCIARY NET ASSETS	\$ 1,144,611	\$ 834,192

Net Fiduciary Assets consist of the following:

	(in thousands)	
	FY 2014	FY 2013
Fiduciary Assets		
Fiduciary Fund Balance with Treasury	\$ 1,216	\$ 213
Investments in U.S. Treasury Securities	1,143,343	833,929
Accrued interest from U.S. Treasury Securities	52	50
TOTAL FIDUCIARY NET ASSETS	\$ 1,144,611	\$ 834,192

NOTE 21	Incidental Custodial Collections
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Custodial collections are amounts the Library receives for remittance to the General Fund of the Treasury. The Library does not recognize revenue for these collections but transfers the funds to the Treasury. These receipts are usually immaterial and include unclaimed money or refunds, cancelled fund receivable collections, and other incidental collections.

(in thousands)		
	FY 2014	FY 2013
Miscellaneous Cash Collections:		
Unclaimed Money, Collections of Receivables from Cancelled Accounts and General Fund Proprietary Receipts, Not Otherwise Classified:	\$ 2,137	\$ 867
Total Net Custodial Collections	2,137	867
Transferred to the General Fund of the Treasury	(2,137)	(867)
Total Net Custodial Outflows	(2,137)	(867)
NET CUSTODIAL ACTIVITY	\$ 0	\$ 0

THE LIBRARY OF CONGRESS

Management Report

Fiscal Year Ended September 30, 2014

Assessment of Condition of Heritage Assets

The Library has the largest collection 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 collection exists to be used, and management accepts the responsibility of mitigating risk to the collection at the same time it fulfills its goal of providing access to it.

As of September 30, 2014, the collection was determined to be in a useable condition for fulfilling the Library's service mission. During fiscal 2014, 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 collection to the public
- Reformatting of collection items to other media

The Library has inadequate temperature and humidity control in some collection storage areas; inadequate space for appropriate storage of some collection materials; and insufficient resources for meeting all reformatting and cataloging needs. This condition cannot be fully addressed with current funds and physical plant. The move of collection materials into the storage facility at Fort 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.



UNITED STATES GOVERNMENT

LIBRARY OF CONGRESS

Memorandum

Office of the Inspector General

TO: James H. Billington
Librarian of Congress
March 27, 2015

FROM: Kurt W. Hyde 
Inspector General

SUBJECT: Results of the Library of Congress FY 2014 Financial Statements Audit

The attached report presents the results of the annual audit of the Library of Congress financial statements for fiscal years (FY) 2014 and 2013.

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 nineteenth consecutive year, we are pleased to report that the auditors issued an unmodified (clean) 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 no material weaknesses or significant deficiencies.¹

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

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 February 27, 2015 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: Deputy Librarian
Chief of Staff
Chief Financial Officer

² In accordance with generally accepted government 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 20, 2015.



CliftonLarsonAllen

CliftonLarsonAllen LLP

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INDEPENDENT AUDITORS' REPORT

Inspector General,
United States Library of Congress

Librarian,
United States Library of Congress

Report on the Financial Statements

We have audited the accompanying financial statements of the Library of Congress (the Library), which comprise the balance sheets as of September 30, 2014 and 2013, and the related statements of net cost and changes in net position, the combined statements of budgetary resources for the years then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

The Library management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America (U.S.) and the design, implementation, and maintenance of internal control over financial reporting relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02). Those standards and OMB Bulletin 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used



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and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are also responsible for applying certain limited procedures with respect to the required supplementary information included with the financial statements.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Library of Congress as of September 30, 2014 and 2013, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the U.S. issued by the Federal Accounting Standards Advisory Board (FASAB) require that the Library's Management Discussion and Analysis (MD&A) and Required Supplementary Information (RSI) (including stewardship information) on pages 1 through 30 and on page 69, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by FASAB, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and other RSI in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 or on management's assertion on internal control included in the MD&A. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control or on management's assertion on internal control included in the MD&A.

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 Library's financial statements will not be prevented, or detected and

corrected on a timely basis. A *significant deficiency* is a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with our professional responsibilities discussed below.

The results of our tests, disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* or OMB Bulletin No. 14-02.

Management's Responsibility for Internal Control and Compliance

Management is responsible for (1) evaluating the effectiveness of internal control over financial reporting, (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting, and (3) complying with other applicable laws, regulations, contracts, and grant agreements.

Auditors' Responsibilities

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit and (2) testing compliance with certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and applicable laws and regulations for which OMB Bulletin 14-02 requires testing.

We limited our internal control testing to testing controls over financial reporting. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to 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, regulations, contracts, and grant agreements applicable to the Library. We limited our tests of compliance to certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts and laws and regulations that we deemed applicable to the Library for which OMB Bulletin 14-02 requires testing. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Library's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

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Calverton, Maryland
February 27, 2015