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President & CEO
The Lenfest Group
West Conshohocken, PA

Treasurer
Mr. Leonard L. Silverstein
Buchanan Ingersoll, PC
Washington, DC

Founding Chairman Emeritus
Mr. John W. Kluge *
Chairman and President
Metromedia Company
New York, NY

Chairman Emeritus
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Chairman
Edwin L. Cox Company
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Dallas, TX

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General Partner
The Baskes Office
Chicago, IL

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Director
Bradford Enterprises
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Mr. James H. Clement, Jr.
Dallas, TX

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President
Cotsen Management Corporation
Los Angeles, CA

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Franklin, MI

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Canica AS
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Dallas, TX

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Glanville Family Interests
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Dallas, TX

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President
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Los Angeles, CA

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Chairman
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New York, NY

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Chief Executive Officer
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Englewood, CO
Mr. Jerral W. Jones *
Owner and General Manager
Dallas Cowboys Football Club
Irving, TX

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Los Angeles, CA

Mrs. Charlotte P. Kessler
New Albany, OH

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Founding CEO & Chairman Emeritus
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Washington, DC

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Executive Vice President
Koch Industries, Inc.
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Partner
Warburg Pincus, LLC
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President
First National Bank of Omaha
Omaha, NE

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Santa Barbara, CA

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Maguire Oil Company
Dallas, TX

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Leawood, KS

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Oklahoma City, OK

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Philadelphia, PA

Mr. and Mrs. Edward S. Miller
Washington, DC

Mr. Donald E. Newhouse
President
Advance Publications, Inc.
Newark, NJ

Dr. Erik D. Olsen *
President
AARP
Washington, DC

Mr. Arthur Ortenberg
New York, NY

Mr. Marshall B. Payne
Managing Partner
CIC Partners L.P.
Dallas, TX

Mrs. Frank Perdue
Salisbury, MD

Mrs. Margot Perot
Dallas, TX

Mr. Stephen C. Perry II
President and Chief Executive Officer
Claritage Capital, LP
New York, NY

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Co-Owner
Phillips Seafood and Restaurants
Ocean City, MD

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F. H. Prince and Company
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Mr. Bernard Rapoport *
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American Income Life Insurance
Company
Waco, TX

Mrs. Catherine B. Reynolds
Chairman and CEO
Catherine B. Reynolds Foundation
McLean, VA

Mr. and Mrs. Elihu Rose
Partner
Rose Associates, Inc.
New York, NY

Mr. David M. Rubenstein
Managing Director
Carlyle Group
Washington, DC

Lady Susie Sainsbury of Turville
London, England

Mr. B. Francis Saul II
Chairman and CEO
Chevy Chase Bank, F.S.B.
Bethesda, MD

Mr. Walter Scott, Jr. *
Chairman
Level 3 Communications, Inc.
Omaha, NE

Mr. L. Dennis Shapiro
President
Arzak Corporation
Chestnut Hill, MA

Mr. Raja W. Sidawi *
CEO/Owner
RWS Energy Services, Inc.
New York, NY

Mr. Albert H. Small
President
Southern Engineering Corporation
Bethesda, MD

Mr. Frederick W. Smith *
Chairman and CEO
Federal Express Corporation
Memphis, TN

Mr. Henry J. Smith
Bud Smith Organization, Inc.
Dallas, TX

Mr. Raymond W. Smith *
Verizon Ventures
Arlington, VA

Mr. John A. Thain
Chief Executive Officer
New York Stock Exchange, Inc.
New York, NY

Ms. Thorunn Wathne
Wathne Ltd. - Polo Handbag
New York, NY

Ms. Joan M. Wegner
Oak Brook, IL

Mrs. Beatrice W. Welters
President
An-Bryce Foundation
Vienna, VA

The Honorable John C. Whitehead
New York, NY

Ms. Diane R. Wolf
New York, NY

Mr. Michael B. Yanney
Chairman
America First Companies
Omaha, NE

* Names of Jeffersonians, Madison Council members who have given $1 million or more
## Statement of Financial Position

James Madison National Council Fund  
September 30, 2006

### ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$102,968</td>
</tr>
<tr>
<td>Investments: (Note 2)</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury Market Based Securities</td>
<td>3,962,714</td>
</tr>
<tr>
<td>Growth and Income Pool</td>
<td>795,761</td>
</tr>
<tr>
<td>Total investments</td>
<td>4,758,475</td>
</tr>
<tr>
<td>Receivables:</td>
<td></td>
</tr>
<tr>
<td>Pledges (Note 3)</td>
<td>697,574</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>12,527</td>
</tr>
<tr>
<td>Accounts</td>
<td>135</td>
</tr>
<tr>
<td>Total receivables</td>
<td>710,236</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$5,571,679</strong></td>
</tr>
</tbody>
</table>

### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$340,136</td>
</tr>
<tr>
<td>Accrued payroll and annual leave</td>
<td>66,042</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>406,178</strong></td>
</tr>
</tbody>
</table>

### Net assets (Note 4)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted-Undesignated</td>
<td>2,179,420</td>
</tr>
<tr>
<td>Unrestricted-Council designated for projects</td>
<td>112,891</td>
</tr>
<tr>
<td>Temporarily donor restricted for projects</td>
<td>2,873,190</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>5,165,501</strong></td>
</tr>
</tbody>
</table>

**Total liabilities and net assets**  

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$5,571,679</strong></td>
</tr>
</tbody>
</table>

These financial statements should be read only in connection with the accompanying notes to financial statements.
Statement of Activities
James Madison National Council Fund
For the Fiscal Year Ended
September 30, 2006

CHANGES IN UNRESTRICTED NET ASSETS

Revenues
Membership contributions $ 890,862
Miscellaneous gifts 64,978
Temporarily restricted donations 139,300
Interest 168,079
Net unrealized gain and realized gain on investments (Note 2) 67,771
Imputed financing for cost subsidies (Note 5) 33,010
Royalties 5,790
Net assets released from restrictions 523,185
Total revenues 1,892,975

Expenses (see Schedule B)
Personnel costs 745,504
Travel and transportation and subsistence/support persons 42,781
Other services 75,076
Books and library materials 344,716
Exhibit opening events, receptions, and Madison Council meetings 195,530
Professional and consultant services 367,306
Office supplies, printing and materials 1,242
Total expenses 1,772,155

Other changes
Transfer from other funds (Note 8) (110,228)
Increase in unrestricted net assets 231,048

Total expenses 1,772,155

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Contributions 119,508
Net assets released from restrictions (523,185)
Decrease in temporarily restricted net assets (403,677)
Decrease in net assets (172,629)
Net assets at beginning of year 5,338,130
Net assets at end of year $ 5,165,501

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

Statement of Cash Flows
James Madison National Council Fund
For the Fiscal Year Ended
September 30, 2006

Cash flows from operating activities:
Donations Received $ 1,766,322
Interest Received 147,334
Cash paid to others (719,385)
Cash paid to employees (733,623)
Transfer from other funds 110,228
Net cash provided by operating activities $ 570,876

Cash flows from investing activities:
Investment in U.S. Treasury Market Based Securities $ (2,386,487)
Investment in U.S. Treasury Permanent Loan 0
Redemption of Investment in U.S. Treasury Market Based Securities 1,886,776
Redemption of Investment in U.S. Treasury Permanent Loan 0
Net cash used by investing activities $(499,711)

Net Increase in Cash 71,165
Cash at beginning of year 31,803
Cash at end of year $ 102,968

Reconciliation of Changes in Net Assets to Net Cash From Operating Activities
Change in Net Assets $ (172,629)

Adjustments to reconcile changes in net assets to net cash provided from operating activities
Non-cash gain on mutual fund investments (67,771)
Decrease in investment discount (16,800)
Decrease in pledges receivable 545,883
Increase in accrued interest receivables (3,945)
Decrease in accrued payroll and annual leave (21,130)
Increase in accounts receivable (105)
Increase in accounts payable 307,372
Total Adjustments 743,505

Net Cash from Operating Activities $ 570,876

These financial statements should be read only in connection with the accompanying notes to financial statements.
NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

A. Description of Fund
The James Madison National Council Fund (JMNC Fund) was initiated by the Librarian of Congress, accepted through a poll vote by the Library of Congress Trust Fund Board in July 1989 and reaffirmed October 7, 1989. A gift of $100,000 from Robert Gwinn, Chairman of the Board of Encyclopedia Britannica, established the Fund. The JMNC Fund is reported in the Library of Congress gift and trust funds.

The James Madison National Council is an advisory board of business people and philanthropists that contribute ideas, expertise, and financial backing to support the Library’s collections and programs. The Council is open to persons from the private sector interested in advancing the Library’s outreach mission. There are 93 members of the Council.

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

B. Basis of Accounting and Presentation
The Fund’s financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

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

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

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

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

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

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

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

- a permanent loan with the U.S. Treasury
- a pool of U.S. Treasury market-based securities
- a private investment pool consisting of five stock funds and one money market fund. The funds recommended by the Library of Congress Trust Fund Board’s investment committee and approved by the Board are:
  - Vanguard Money Market Prime Fund
  - Vanguard Institutional Index Fund
  - Vanguard Capital Opportunity Fund
  - Fidelity Blue Chip Growth Fund
  - Fidelity Capitol Appreciation Fund
  - Fidelity Growth Company Fund
  - Fidelity Dividend Growth Fund

Investments in U.S. market-based securities are stated at cost net of any unamortized premium or discount, which approximates market value at September 30, 2006. The permanent loan is an interest bearing par value investment which equals the market value. Stock and money market mutual funds are stated at current market value.
NOTE 2 – INVESTMENTS

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

<table>
<thead>
<tr>
<th>Investment</th>
<th>Non-Marketable, Market Based Government Securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par</td>
<td>$3,998,114</td>
</tr>
<tr>
<td>Unamortized Premium</td>
<td>$(35)</td>
</tr>
<tr>
<td>Unamortized</td>
<td>$(35,365)</td>
</tr>
<tr>
<td>Amortized Cost</td>
<td>$3,962,714</td>
</tr>
</tbody>
</table>

B. Mutual Funds
The JMNC Fund invested $500,000 in the growth and income pool (non-Treasury mutual fund investments) in 1996. Market value of the growth and income pool as of September 30, 2006, totaled $795,761.

The net gain on investments of $67,771 consists of the following: $11,755 realized gain of mutual fund capital gains distributions; $100 realized gain of money market dividends, and $55,916 unrealized gain on the growth and income pool.

NOTE 3 – PLEDGES
Contributions of unconditional promises to give (pledges) to the JMNC Fund are recognized as temporarily restricted revenue in the period received. They are recorded at their present value using a market discount rate. Accretion of the discount in subsequent years is also recorded as contribution revenue. Outstanding pledges of $1,064,611 at September 30, 2006, were discounted through fiscal year 2016 at a market discount rate and are included in the statement of financial position at their discounted present value of $697,574. The amounts due in future years at their current discounted value are: $61,574 in fiscal year 2007; $636,000 in fiscal year 2016.

NOTE 4 – NET ASSETS
The JMNC Net Assets of $5,165,501 are classified as Unrestricted-Undesignated, Unrestricted-Council Designated for Projects or Temporarily Donor Restricted for Projects. Of this total amount, $2,179,420 is classified as Unrestricted-Undesignated. The balance of $2,986,081 consisting of $112,891 (Unrestricted-Council Designated for Projects) and $2,873,190 (Temporarily Donor Restricted for Projects) is earmarked for initiatives such as the rebuilding of Jefferson’s library, the purchase of overseas rare publications, international digitization of the Library’s collections, the publication of illustrated guides for the special collections, seed money for a major collection and an amount that is restricted to be used at the discretion of the Librarian of Congress for projects that arise that do not have funding or the time horizon to raise money for the project.

Ending Net Assets includes undelivered orders of $474,401 which are funds that have been obligated for goods and services not yet received for JMNC Fund operations and designated projects.

NOTE 5 – IMPUTED FINANCING FOR COST SUBSIDIES
An adjustment of $33,010 was recorded as an imputed financing source and a corresponding expense in the accompanying financial statements. This adjustment recognizes the full cost of pensions and other health and life insurance benefits during the employees’ active years of service.

NOTE 6 – EXPENSES BY FUNCTIONAL CLASSIFICATION
As permitted by SFAS No. 117, the Library has elected to present its operating expenses by natural classification in its Statements of Activities for the period ending September 30, 2006. The functional breakdown of these expenses is as follows (see Schedule B):

Fiscal Year 2006 Expenses by Functional Classification | Amount
------------------------------------------------------|--------
JMNC Fund Projects and Programs                        | $212,664
Members’ Specific Projects                             | 523,185
Supporting Activities—Fundraising                      | 1,036,306
Total Expenses                                         | $1,772,155

NOTE 7 – RETIREMENT PLANS
Employees of JMNC Fund participate in two different retirement plans. Civil Service employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees’ Retirement System (FERS). FERS is the system in effect for most employees hired after December 31, 1983.

In fiscal year 2006, the JMNC Fund paid approximately $53,169 to fund retirement benefits, excluding FICA taxes.

NOTE 8 – TRANSFER FROM OTHER FUNDS
The JMNC fund received $110,228 from the Mariinsky Theater Project Gift Fund, which was the remaining balance from the original fiscal year 2001 gift.

This information is an integral part of the accompanying financial statements.
To the Steering Committee
James Madison National Council Fund

We have audited the accompanying statement of financial position of the James Madison National Council Fund (the Fund) as of September 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

SUMMARY

As stated in our opinion on the financial statements, we have concluded that the Fund’s financial statements for the year ended September 30, 2006, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting disclosed no material weaknesses.

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

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

OPINION ON FINANCIAL STATEMENTS

We have audited the accompanying statement of financial position of the Fund as of September 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 06-03, Audit Requirements for Federal Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2006, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information contained in Schedules...
A and B is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Fund’s internal control over financial reporting by obtaining an understanding of the Fund’s internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 06-03. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers’ Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Fund’s ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. We noted no matters involving internal control and its operations that we consider to be material weaknesses.

The Fund is a component of the Library of Congress’ (the Library) consolidated financial statements. In prior years, we reported on weaknesses we identified in the Library’s General Support System (GSS) and Entity-Wide Security Program, which we described as reportable conditions. Specifically, we noted that the Library had not fully implemented an Entity-Wide Security Program and in addition we identified control weaknesses in the Library’s GSS which affected the availability, integrity, and confidentiality of all applications and data residing in the processing environment. During fiscal year 2006, the Library completed the implementation of enhancements addressing the above weaknesses and therefore Information Technology (IT) internal control weaknesses are no longer considered reportable conditions. IT internal controls exist in a dynamic environment where new risks are constantly evolving. Consequently, continued management commitment to an effective IT internal control environment will be essential to ensure that the Library’s financial and sensitive information will be adequately protected in this new environment.

COMPLIANCE AND OTHER MATTERS

Management of the Fund is responsible for complying with laws and regulations applicable to the Fund. As part of obtaining reasonable assurance about whether the Fund’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 06-03. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to the Fund.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards and OMB Bulletin No. 06-03. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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

January 23, 2007
Alexandria, Virginia
**SCHEDULE A**

Schedule of Net Assets Available for Designation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net Assets</td>
<td>$5,165,501</td>
</tr>
<tr>
<td>Net assets restricted by donors for projects</td>
<td>(2,873,190)</td>
</tr>
<tr>
<td>Net assets designated by the Council for projects</td>
<td>(112,891)</td>
</tr>
<tr>
<td>Total restricted or designated net assets</td>
<td>(2,986,081)</td>
</tr>
<tr>
<td>Net Assets Available for Designation</td>
<td>$2,179,420</td>
</tr>
</tbody>
</table>

**SCHEDULE B**

Schedule of Expenditures

<table>
<thead>
<tr>
<th>Description</th>
<th>Fund Projects and Programs</th>
<th>Members’ Specific Projects</th>
<th>Supporting Activities—Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel costs</td>
<td>$ (29)</td>
<td>$143,319</td>
<td>$602,214</td>
<td>$745,504</td>
</tr>
<tr>
<td>Travel and transportation and subsistence/support persons</td>
<td>0</td>
<td>0</td>
<td>42,781</td>
<td>42,781</td>
</tr>
<tr>
<td>Other services</td>
<td>10,000</td>
<td>30,118</td>
<td>34,958</td>
<td>75,076</td>
</tr>
<tr>
<td>Books and library materials</td>
<td>0</td>
<td>344,716</td>
<td>0</td>
<td>344,716</td>
</tr>
<tr>
<td>Exhibit Opening Events, Receptions, and Madison Council Meetings</td>
<td>0</td>
<td>5,032</td>
<td>190,498</td>
<td>195,530</td>
</tr>
<tr>
<td>Professional and consultant services</td>
<td>202,693</td>
<td>0</td>
<td>164,613</td>
<td>367,306</td>
</tr>
<tr>
<td>Office supplies, printing and materials</td>
<td>0</td>
<td>0</td>
<td>1,242</td>
<td>1,242</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$212,664</strong></td>
<td><strong>$523,185</strong></td>
<td><strong>$1,036,306</strong></td>
<td><strong>$1,772,155</strong></td>
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