

# FINANCIAL STATEMENTS

FISCAL 2013

MARCH 2014

The exterior of the National Audio-Visual Conservation Center in Culpeper, Virginia.  
Photo by Abby Brack, 2011



THE LIBRARIAN OF CONGRESS

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

Mr. President and Mr. Speaker:

It is my pleasure to submit to you the Library's fiscal 2013 financial statements and accompanying opinion of the independent auditors, CliftonLarsonAllen, LLP. For the eighteenth consecutive year, the independent auditors have issued an unmodified opinion (formerly called an unqualified or clean opinion) on the Library's consolidated financial statements.

The net cost of the Library's six major programs totals \$667.7 million including \$91.0 million in costs incurred by four other agencies (i.e., Architect of the Capitol, Government Printing Office, United States Capitol Police and the Office of Personnel Management) in support of the Library's programs. The net cost also includes \$121.2 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 2013 financial statements and auditors' opinion.

Sincerely,

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

James H. Billington  
The Librarian of Congress



**THE LIBRARY OF CONGRESS**  
**Financial Statements for Fiscal 2013**

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# THE LIBRARY OF CONGRESS

## Management's Discussion and Analysis

Fiscal Year Ended September 30, 2013

### 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 2013.

### The Library of Congress and Its Mission

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

The Library's mission is to 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 Library organizations are all working toward common ends and provides the background for the Library's annual Congressional Budget Justification.

During fiscal 2010 the Library worked to revise the Library's 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 19<sup>th</sup> 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 20<sup>th</sup> 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."

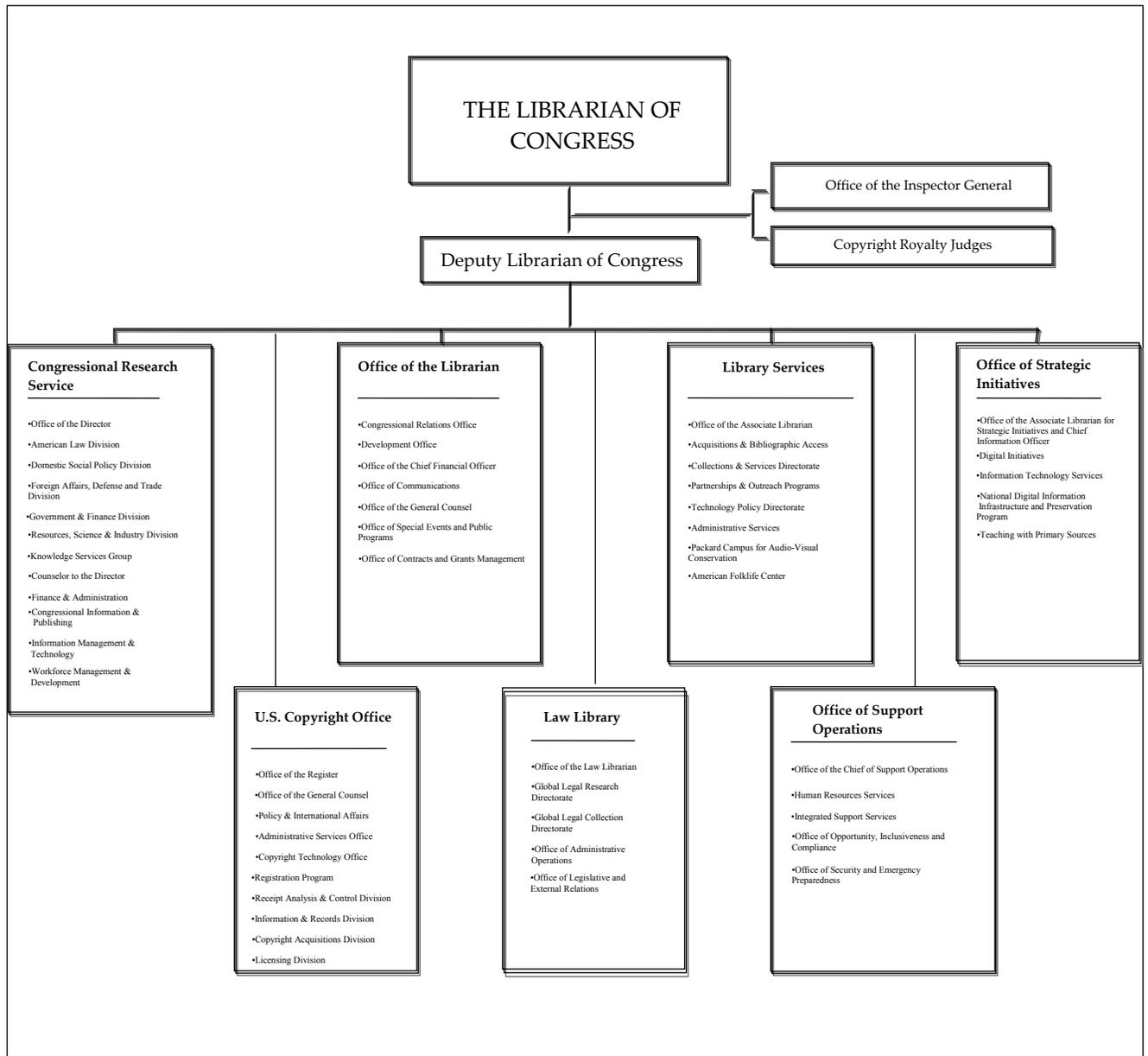
Those words hearken back to the Library's early days and Thomas Jefferson's vision of a society wherein the widest variety of information was readily available to the greatest possible number of people. "I feel ... an ardent desire," Jefferson said, "to see knowledge so disseminated through the mass 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 (the National and Law Library Services, Copyright administration, Congressional Research Service, and Books for the Blind and Physically Handicapped), receipts from offsetting collections (copyright registrations, Cataloging Distribution Service fees), revolving fund (business-like) income, donations, and investment income.



## Overview of Financial Statements

For fiscal years 2013 and 2012, 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, 2013 and 2012. In accordance with generally accepted accounting principles for federal government entities, the value of the Library's collections (our largest asset) is not calculated and reported with a monetary value. Instead, the Library reports unit measurement, mission, and acquisition information in the financial statement notes (see Section 2), and provides other relevant information about their use, preservation, security, etc., in supplemental information (see Section 3). The Library's Net Position consists of: (1) the portion of the Library's appropriations that are unexpended; and (2) the cumulative balances of gift, trust, revolving and reimbursable funds.

(in millions)		
Assets	FY 2013	FY 2012
Entity Assets	\$ 506.9	\$ 527.6
<b>Total Assets</b>	<b>\$ 506.9</b>	<b>\$ 527.6</b>
Liabilities and Net Position		
	FY 2013	FY 2012
Liabilities Covered by Budgetary Resources	\$ 110.2	\$ 130.7
Liabilities Not Covered by Budgetary Resources	\$ 38.8	35.1
<b>Total Liabilities</b>	<b>\$ 149.0</b>	<b>\$ 165.8</b>
Net Position	357.9	361.8
<b>Total Liabilities and Net Position</b>	<b>\$ 506.9</b>	<b>\$ 527.6</b>

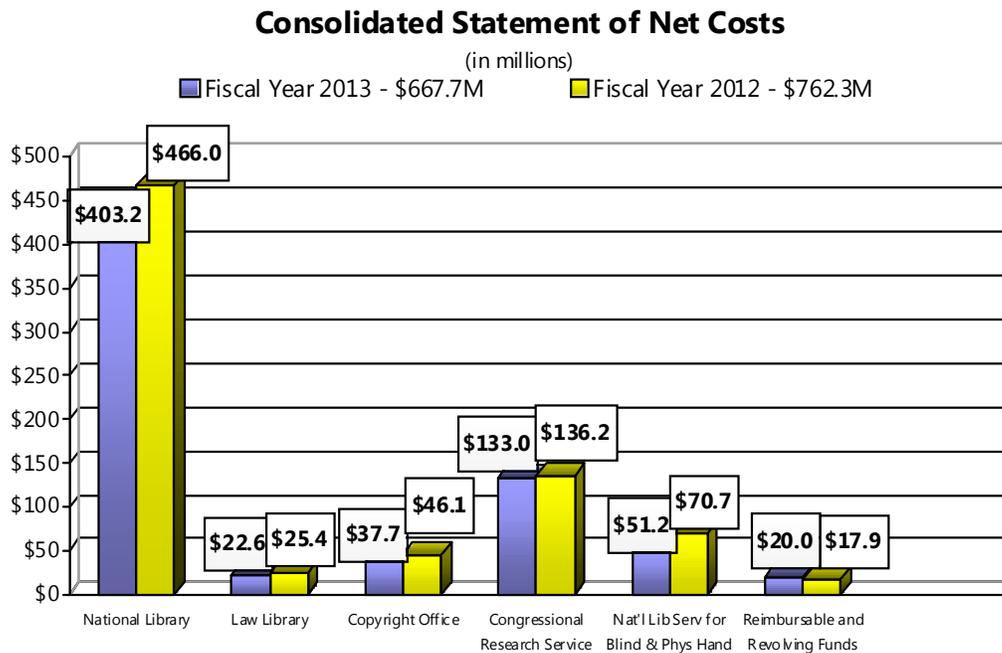
The Library's assets total \$506.9 million for fiscal 2013 and \$527.6 million for fiscal 2012. Entity assets decreased by \$20.7 million during fiscal 2013 primarily due to a decrease in the fund balance with Treasury. The Library's liabilities total \$149.0 million and \$165.8 million for fiscal years 2013 and 2012, 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, 2013 and 2012. In other words, the statements present the net costs of our programs: \$667.7 million and \$762.3 million for the fiscal years 2013 and 2012, respectively. Net costs decreased by \$95 million during fiscal 2013 primarily due to a decrease in appropriations received under the Budget Control Act. 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:



**National Library** - With net program costs of \$403.2 million and \$466.0 million for fiscal years 2013 and 2012, respectively, National Library is the Library's largest program and is responsible for the traditional library activities of acquisitions, cataloging, research and reference, and preservation.

National Library manages the following 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 514,000 information requests a year from across the nation, including nearly 249,000 in person in the research centers open to the public in Washington. 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](http://www.loc.gov), [www.copyright.gov](http://www.copyright.gov), [thomas.gov](http://thomas.loc.gov), [congress.gov](http://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 National Book Festival, held annually, has drawn more than 200,000 people for three straight years.

**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 \$22.6 and \$25.4 million for fiscal years 2013 and 2012, 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 \$37.7 million and \$46.1 million for fiscal years 2013 and 2012, 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 2013, the Copyright Office registered 496,599 claims to copyright; transferred 641,723 works to the Library; recorded 9,672 documents containing more than 120,000 titles; logged more than 18 million page views on its website; and responded to 255,078 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 hundreds 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 substantially funded through deductions from royalty receipts.

**Congressional Research Service** – The Congressional Research Service, with net program costs of \$133.0 million and \$136.2 million for fiscal years 2013 and 2012, 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, non-partisan, 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, tailored confidential memoranda, individual consultations and briefings, 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 24.8 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 \$51.2 million and \$70.7 million in fiscal years 2013 and 2012, respectively.

2. A cooperating network of 56 regional and 39 subregional (local) libraries distribute the machines and library materials provided by the Library of Congress.
3. The U.S. Postal Service receives an appropriation to support postage-free mail for magazines, books, and machines, which are sent directly to readers. Reading materials (books and magazines) and playback machines are sent to a total readership of 690,916 audio and Braille individually registered readers, in addition to 239,023 eligible individuals served via institutional accounts

**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 \$85.5 and \$87.5 million in fiscal years 2013 and 2012, respectively, reimbursable and revolving fund net program costs totaled \$20.0 and \$17.9 million, respectively. The net program costs were the result of the elimination of \$6.6 and \$6.2 million of intra-Library net revenues, \$12.4 and \$11.9 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 2013 and 2012, respectively.

General descriptions of major revolving fund activities are:

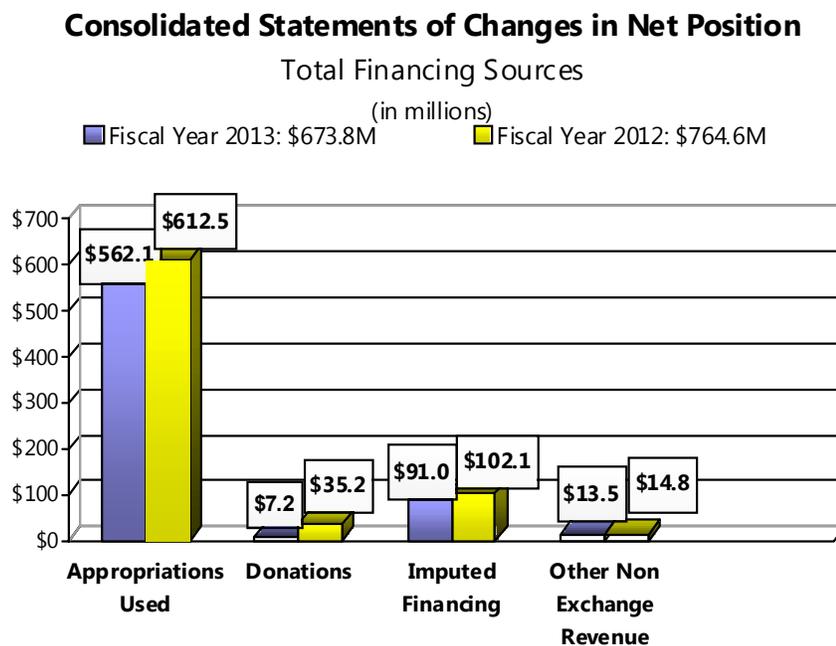
**Cooperative Acquisitions Program** – The Cooperative Acquisitions Program, which is operated by the Library's six overseas field offices, acquires foreign publications and research materials on behalf of participating academic and research institutions on a cost-recovery basis. Earned revenues were \$2.9 million for fiscal 2013 and \$2.8 million for fiscal 2012.

**Gift Shop, Decimal Classification, Document Reproduction and Microfilm Services, Special Events and Programs and related services** – This revolving fund provides for the operation of a gift shop or other sales of items associated with collections, exhibits, performances, and special events of the Library of Congress; decimal classification development services; the preservation and microfilming services for the Library's collections and reproduction services to other libraries, research institutions, government agencies, and individuals in the United States and abroad; and the hosting of special events and programs by corporate and non-profit entities that support the Library's mission. Earned revenues were \$6.6 million and \$6.2 million in fiscal years 2013 and 2012, respectively, and intra-Library revenue transactions of \$1.8 million were eliminated in both years as part of financial statement consolidation.

**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 150 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 2013 and 2012, earned revenues were \$77.9 and \$80.3 million, respectively, and intra-Library revenue transactions of \$2.6 million and \$1.7 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 and \$764.6 million for the fiscal years ended September 30, 2013 and 2012, respectively.



The major source of the Library's funding is from congressional appropriations for five programs: National Library, Law Library, Copyright Office, Congressional Research Service, and National Library Service for the Blind and Physically Handicapped. Appropriations used during the fiscal years ended September 30, 2013 and 2012 totaled \$562.1 million and \$612.5 million or 83% and 80% of all financing for fiscal years 2013 and 2012, 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 \$91.0 and \$102.1 million (imputed financing) for fiscal years 2013 and 2012, respectively. The support provided included

structural care and maintenance of the Library's buildings and grounds (\$56.2 million and \$69.3 million), employee benefits (\$32.2 million and \$30.1 million), acquisitions exchange services (\$1.3 million and \$1.4 million), and collections security services (\$1.4 million and \$1.4 million). Other non-exchange revenues are positive and negative for fiscal years 2013 and 2012, primarily due to the unrealized loss or gains on non-treasury investments.

### **Combined Statements of Budgetary Resources**

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

The Library's budgetary resources were \$825.6 million and \$859.5 million for the fiscal years ended September 30, 2013 and 2012, respectively, of which \$572.7 million and \$606.1 million were from appropriated funds and \$142.9 million and \$143.5 million were from non-appropriated funds for fiscal years ended September 30, 2013 and 2012, respectively. Total outlays of \$621.6 million and \$635.5 million were incurred with the outlays of appropriated funds (\$583.0 million and \$613.4 million) combined with outlays of the non-appropriated funds (\$38.6 million and \$22.1 million) in fiscal years 2013 and 2012.

## **Performance Targets and Accomplishments**

This section of the Library's 2013 Financial Statements presents those annual objectives and related performance targets grouped by their respective connections to the strategic plan's five goals: (1) Provide authoritative research, analysis, and information to the Congress; (2) Acquire, preserve, and provide access to a universal collection of knowledge and the 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.

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

**Annual Objective:** Library organizations use tools, such as web analytics, client relationship management systems, and client feedback mechanisms to gain a robust sense of client needs/behavior and assess alignment of products and services with the congressional agenda.

**Performance Target 1:** By the end of fiscal 2013, the Congressional Research Service (CRS) will launch an enhanced presentation of products and services on the crs.gov website that facilitates clients' ability to find the information they need.

**Performance Target 2:** By the end of fiscal 2013, CRS will implement regular reporting on user interactions with the crs.gov website to provide a more robust picture of user needs/behavior.

**Accomplishment:** By developing and refining regular reporting on crs.gov usage, CRS improved its ability to monitor client interests and needs and made more use of that information to make decisions about products and their display on the website. Various search and navigation enhancements on the website improved clients' ability to access CRS products. Specific improvements included faceted search results, full-text search, and more effective access to CRS authors via search. CRS also piloted a new product line, CRS Videos. The launch of streaming videos on the website enabled CRS to diversify its product line, offer a product format that takes advantage of advanced technology that is familiar to clients, and respond to client demands for shorter-form products.

**Annual Objective:** The Library has completed development of and begun implementing plans for the acquisition and organization of information relevant to a broader range of areas aligned with the congressional agenda.

**Performance Target:** The Library has completed a pilot project plan for the acquisition, organization, archiving and retrieving of geographic information systems (GIS) data identified as high priority to the congressional agenda.

**Accomplishment:** In response to an increased interest for visual products such as online maps and interactive mapping services (geospatial data) a pilot project relating to GIS data was launched. The major fiscal 2013 accomplishments were: (1) the identification of additional stakeholders and collaboration across multiple Library service units to define requirements for the acquisition, organization, and use of geospatial data; and (2) a draft document presenting the case for a Library-wide infrastructure to manage geospatial data so as to facilitate its use in GIS analysis and in the creation of mapping products and services.

**Annual Objective:** The Library has completed development of the next generation of legislative information system platform and services.

**Performance Target:** Enhance or migrate web content for the Congress core area into the search and navigation framework of the Library's new web presence according to priorities approved by the Web Governance Board.

**Accomplishment:** Users of Congress.gov have more effective access to a growing body of legislative content. Specific accomplishments include: completing conversion of 3 large data collections into the emergent system (legislation 1993-present; Congressional Record 1995-present; committee reports 1995-present); single search across all collections and all dates; faceted search; search within results; meaningful, permanent URLs; nine video series explaining the common stages of the legislative process; glossary of legislative terms; member and committee profile pages; and modern, efficient access to the centennial edition of the Constitution Annotated including a mobile device application.

**Annual Objective:** Library management information systems and client relationship management systems support improved timeliness, greater breadth and depth of coverage, and interdisciplinary collaboration.

**Performance Target:** CRS will identify and implement enhancements to management information systems and client relationship management systems to support improved timeliness, greater breadth and depth of coverage, and interdisciplinary collaboration by the end of fiscal 2013.

**Accomplishment:** Continued streamlining of research planning and research management information improved the ability to monitor and analyze the timeliness, depth, breadth, and interdisciplinary collaboration reflected in the mix of products that were provided to clients. Information from the client relationship management system was used to provide fuller and more varied access to expertise on crs.gov, which highlights the breadth of services CRS provides.

**Annual Objective:** The Library has finalized the requirements document and developed/tested the capability for mobile device access to crs.gov.

**Performance Target:** By the end of fiscal 2013, deploy improved mobile device access to crs.gov.

**Accomplishment:** As a result of May 2013 upgrades to the CRS website, congressional clients have full access to CRS resources and expertise from mobile devices. The enhancements include full mobile access to all content on CRS.gov. Because the full website is now optimized for mobile devices, the dedicated mobile version of the site has been retired and clients no longer need to access a separate, limited version of the site.

**Annual Objective:** Develop metrics for measuring success of training the Library offers to Congress.

**Performance Target:** By the end of fiscal 2013, the Law Library has designed options for evaluation of training programs which can be shared with other Library service units.

**Accomplishment:** A snapshot of the current status of training evaluations in the Library was successfully accomplished. It provided service units with ideas about ways to enhance or improve their current tools.

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

**Annual Objective:** The Library is receiving electronic-only serials through mandatory deposit.

**Performance Target:** Enter into relationships with publishers/digital content providers that will allow the Library to automate the processing of files transferred on a regular basis, without the need for significant staff intervention, in a consistent, useable format.

**Accomplishment:** Library holdings of e-serials increased by 71% in fiscal 2013 from 101,062 files acquired to 172,651 files. The Library held negotiations to expand access for Library patrons to these archived e-serials through the publisher's web platforms. The Library made arrangements with prospective third party agents, who act for publishers of demanded content, to receive significant volumes of normalized data at no cost to the Library.

**Annual Objective:** The Library is receiving television program files in electronic format for its collections through copyright registration.

**Performance Target:** Receive electronic TV program test files from two copyright filers, by September 30, 2013.

**Accomplishment:** Successfully securing file transfer from one pilot partner and completing first steps of a file transfer from four of eight potential partners laid the groundwork for a system of digital receipt of television program files.

**Annual Objective:** The Library is improving its infrastructure for the receipt of additional electronic formats through copyright registration and/or mandatory deposit.

**Performance Target:** The Library is improving its infrastructure for the receipt of eBooks via Library Services Cataloging in Publication (CIP) priorities.

**Accomplishment:** The Repository Development Center (RDC) and Integrated Library System Program Office completed requirements gathering to support ingest of eBooks from partners in the CIP Program.

**Annual Objective:** The Library will transition to a production system for the ingestion, characterization, and storage of both new and existing forms of digital content.

**Performance Target:** Digital repository services development, testing, and production deployment (software releases) reflect Library stakeholder priority functional requirements for the ingestion, characterization, and storage of new and existing forms of digital content.

**Accomplishment:** The Delivery Management System release responded to requests to improve user interface, overall performance speed and file transfers. A new look-and-feel template and technology framework for a common interface for all repository services was completed and approved for gradual rollout across the services during Fall/Winter 2013.

**Annual Objective:** The Library has established the Collections Development Office with oversight of Library collection policies, priorities and standards for obtaining materials for disciplines and jurisdictions of importance to Congress and the Library's constituencies.

**Performance Target:** Collection Development Office reorganization package has been finalized and submitted to Human Resources

**Accomplishment:** Collection Development Office reorganization package has been finalized and was submitted to the Human Resources Services (HRS) in September 2013.

**Annual Objective:** The Library has completed 60% of the material transfer to Landover Bays 3 and 4.

**Performance Target:** The Library has completed the transfer of 480,000 items to Landover Bays 3 and 4 by September 30, 2013.

**Accomplishment:** The transfer of 779,478 items (157.7%) to the Landover Annex has resulted in overall increased security, preservation and accessibility of collection materials.

**Annual Objective:** The Library has assessed, housed, stabilized, mass deacidified, bound, reformatted, or otherwise prepared over 15 million high value, high use, and/or at-risk items in all formats since FY2011.

**Performance Target:** The Library has assessed, housed, stabilized, mass deacidified, bound, reformatted, or otherwise prepared over 5 million high value, high use, and/or at-risk items in all formats. This annual target is added to fiscal 2011-2012 productivity results to achieve the Annual Objective of 15 million items treated by the end of fiscal 2013.

**Accomplishment:** By completing more than 8.2 million preservation actions (1,370,543 items assessed or surveyed, 73,817 items rehoused, 207,710 treated or bound, 1.1 million items deacidified, and almost 5.5 million items reformatted) the Library has ensured long-term access to a large collection of high value, high use, and/or at-risk items. This accomplishment represents the combined preservation efforts of the Preservation Directorate, Overseas Offices, and the Library of Congress Packard Campus for Audio-Visual Conservation.

**Annual Objective:** Propose, pilot and evaluate guidelines, best practices and workflows for the preservation of the Library's digital materials.

**Performance Target:** The proposed guidelines, best practices and workflows for the preservation of digital materials is tested and evaluated with at least four custodial divisions.

**Accomplishment:** In fiscal 2013, the Digital Preservation Working Group (DPWG), working with four custodial divisions, finalized two path forward documents: "Essential Steps for Digital Preservation at the Library of Congress," and "Levels of Preservation." The documents have been submitted to the Library's Governing Documents group by the Deputy Librarian.

**Annual Objective:** The preservation status of the collections is continually improving.

**Performance Target:** By the end of fiscal 2013, the Law Library will have a plan for addressing the movement of overflow rare legal material to a secure and environmentally-controlled space in the Madison Building.

**Accomplishment:** The Law Library has created a detailed plan for the movement of rare legal material to a secure and environmentally-controlled space in the Madison Building. The plan for the movement of overflow rare legal material from the subbasement stacks to a new storage area will facilitate a quick and secure way to populate the shelves of the new vault to the best advantage for the collection.

**Annual Objective:** Legacy content has been migrated to the new web presence.

**Performance Target:** Enhance or migrate web content for the three core areas (National Library, Congress and Copyright) into the search and navigation framework of the new web presence according to priorities approved by the Web Governance Board.

**Accomplishment:** Congress.gov has expanded with the additions of the Congressional Record, committee reports, committee profile pages, bill text and bill summary data back to the 103rd Congress, as well as educational legislative process videos and direct links from bills to cost estimates from the Congressional Budget Office. The National Library area was enhanced with migrations of manuscript, film, audio recording, and web archives collections. Work advanced toward the implementation of templates for global navigations, reading rooms and programs in the upcoming year.

**Annual Objective:** The Library has collected and analyzed user satisfaction data and has made further improvement to the user online experience.

**Performance Target:** Collect and analyze user satisfaction data and further improve the user online experience as new content is introduced into the new web presence.

**Accomplishment:** In order to collect and analyze user satisfaction data and further improve the user online experience as new content is introduced into the new web presence a metrics tag management service has been implemented that reduces the effort required to deploy new and updated metrics configurations. Social media metrics, policies, reports, and training have been developed that will improve the management of the Library's social media activities.

**Annual Objective:** The Library has managed the remaining restricted donor exhibit funding by adjusting spending targets in alignment with exhibit policies.

**Performance Target:** Funding is monitored and reported, use of technology platforms is reassessed and plans for any migration of content are developed.

**Accomplishment:** Through the collaborative efforts of the Interpretive Programs Office, Visitor Services Office, the Office of Strategic Initiatives, Information Technology Services and the Office of the Librarian, the maintenance of these exhibit activities and the transition of the technology have been accomplished according to schedule.

**Annual Objective:** Users can easily access the full breadth of the Library's collections.

**Performance Target 1:** By the end of fiscal 2013, the Law Library has implemented Library of Congress metadata standards for all items published in HTML format through the law.gov website portion of Project One.

**Performance Target 2:** Material shelved under "LAW" will have been reclassified to the Class K schedule by FY 2025.

**Accomplishment:** Library of Congress metadata standards were applied to all 2013 LAW products for which the Law Library received permission to publish before the products were incorporated into law.gov. The reclassification of the 31,361 volumes to the Class K schedule has resulted in more efficient retrieval of these items, resulting in quicker service to the Congress and the public.

**Strategic Plan Goal:** Sustain an effective national copyright system.

**Annual Objective:** The Copyright Office advises the Congress, government entities, and international organizations on copyright policy.

**Performance Target 1:** Advise and assist the Congress regarding possible revisions and updates to the Copyright Act. When requested or needed, provide timely and complete information and advice in the form requested or agreed to, by September 30, 2013.

**Performance Target 2:** Advise and assist the Congress regarding possible orphan works legislation, by September 30, 2013.

**Performance Target 3:** Provide expert contributions to U.S. policy and legal positions at meetings and negotiations of the World Intellectual Property Organization, by September 30, 2013.

**Performance Target 4:** Provide the U.S. Trade Representative and other executive branch agencies with expert legal advice and policy recommendations on both domestic copyright law matters and international copyright principles as part of the intellectual property rights chapter negotiations in the Trans-Pacific Partnership (TPP) by September 30, 2013.

**Accomplishment:** The Copyright Office's advice and assistance helped congressional staff understand complex copyright issues. The Office continued to advise congressional staff regarding major copyright law revisions, including possible legislation regarding performance rights. The preparation of further analysis on orphan works supported and assisted the Congress in its deliberations on this complex copyright issue. The Office attended a number of World Intellectual Property Organization sessions and provided expert analysis and advice to inform and strengthen U.S. government positions in international negotiations. The Office attended a number of sessions for Trans-Pacific Partnership negotiations and provided expert analysis and advice to inform and strengthen U.S. government positions in international negotiations.

**Annual Objective:** The Library has completed the 1201 rulemaking #5.

**Performance Target:** Complete the Section 1201 rulemaking #5.

**Accomplishment:** The Section 1201 Rulemaking concluded October 2012 as required by statute. Section 1201 of Title 17 of the U.S. Code renders it unlawful to circumvent access controls used by, or on behalf of, copyright owners to protect their works. The law provides that every three years, the Librarian of Congress, upon the recommendation of the Register of Copyrights, determine classes of works that should be exempted from the prohibition because they adversely affect users' ability to make noninfringing uses. The beneficiaries of the 1201 rulemaking are any group disadvantaged in their attempt to make lawful uses of a work because of the limitation on circumventing access controls, for example the blind and physically handicapped. The rulemaking process often serves as a barometer for issues that may be ripe for legislative attention, as with this rulemaking's consideration of cell phone "jailbreaking" and unlocking, and space shifting of DVDs.

**Annual Objective:** The Library has completed the digitization of 75% of the copyright card catalog records from 1923-1977.

**Performance Target 1:** Increase the cumulative number of digitized pre-1978 historical records from the Copyright Card Catalog to 30 million by September 30, 2013.

**Performance Target 2:** Test demonstration models and decide on a model to make scanned historical records browsable online, by September 30, 2013.

**Accomplishment:** The Copyright Office exceeded their goal on the card digitization project by reaching a cumulative total of 31,211,560 cards by the end of fiscal 2013. This is the first step in making public copyright records from before January 1, 1978 available online. The Office, in partnership with the Office of Strategic Initiatives made significant strides toward developing a model for public, online access to historical records, in support of the Office's statutory role as the administrator of the national registration and recordation system.

**Annual Objective:** Timely, accurate, accessible public record of copyright registration, ownership and licensing

**Performance Target 1:** Maintain average turnaround time for claims submitted electronically of no more than 3 months, by September 30, 2013.

**Performance Target 2:** Reduce cumulative average turnaround time for hard copy claims by 15 days (compared to fiscal 2012 average of 206 days) by September 30, 2013.

**Accomplishment:** The average processing time for electronically submitted claims for fiscal 2013 was 2.7 months. The average turnaround time for hard copy claims for fiscal 2013 was 168 days, 38 days shorter than the 2012 average of 206 days. Favorable processing times assist copyright owners to protect their creative works and users to identify more quickly the owners of the rights to copyrighted works.

**Annual Objective:** The Library has tested systems and processes for an online system for licensing statements of account.

**Performance Target 1:** Host the online licensing system for filing cable statements of account in the cloud with an Approval to Operate, by September 30, 2013.

**Accomplishment:** The Copyright Office successfully achieved all milestones associated with this target and improved system reliability and documentation. Several issues identified in Plans of Action and Milestones for the Authority to Operate must be addressed in 2014 to reduce risks to the system.

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

**Annual Objective:** The Library has tested and implemented information description and data exchange systems and tools that meet documented requirements.

**Performance Target 1:** Identify additional or changed requirements for information description and data exchange tools to support expansion of the acquisition of digital content for the Library's collections.

**Performance Target 2:** In fiscal 2013, develop at least ten library standards to support the Library's taking greater advantage of web based, linked data standards.

**Accomplishment:** These successful standards development projects enable easier exchange of library data among systems and make library data, including names and concepts, identifiable and retrievable on the web. The Integrated Library System Program Office and Repository Development Center (RDC) completed requirements gathering and validated requirements for integrated software data exchange services to receive, accept and store e-books. Working with Information Technology Services, storage space was set up for a directory structure and access to a Library server for the four Cataloging In Publication (CIP) publishers that are participating in the pilot to send e-book files for ingest and storage. The Library has received test e-book files from the pilot participants. In fiscal 2013, RDC staff had begun development of tools to ingest and inventory e-books from CIP publishers. During the year the Library supported development of twelve standards to take greater advantage of web based, linked data standards. The Library expanded its linked data service, [id.loc.gov](http://id.loc.gov), to include 39 metadata vocabularies, including those in the PREMIS preservation standard. The Library updated the Machine Readable Cataloging (MARC) format and made some of its components available as linked data for use by the international community. Two new standards, Search/Retrieve by URL protocol (SRU) and Extended Date-Time Format (EDTF), were submitted to the International Organization for Standardization (ISO) for formal adoption. A complete new release of Metadata Object Description Standard (MODS) was released for community review. In BIBFRAME, the new bibliographic framework initiative, five discussion papers were issued for community comment; legacy-to-BIBFRAME conversion tools were developed and published; and a contractor and six early experimenter institutions collaborated with the Library of Congress to produce library data in BIBFRAME. Progress with BIBFRAME was shared with the community.

**Annual Objective:** The Library has fully implemented processes for evaluating collaboration and alignment with Library strategic goals.

**Performance Target:** By the end of September 30, 2013 the Library has assigned responsibility for the ongoing maintenance of the External Stakeholders Registry (ESR, formerly collaboration inventory). This maintenance responsibility includes the periodic survey of partners to determine effectiveness.

**Accomplishment:** As a result of accomplishing this target, the Library has a record of its collaborations for the first time. The product is a report titled "Library of Congress Collaborative Relationships: A 2012 Snapshot" which presents analysis and findings of the data. This record provides insight into the collaborative relationships that the Library maintains with external entities and establishes a baseline for information gathering and strategic planning of future collaborations.

**Annual Objective:** The Library actively seeks collaborative opportunities to meet common goals.

**Performance Target 1:** To enhance Legislative Branch Financial Managers Council efficiencies and standardizations, by September 30, 2013, complete analysis, report, timeline, and recommendations to brief the Appropriations Committees on bringing the Architect of the Capitol (AOC) into the Library's instance of Momentum.

**Performance Target 2:** By September 30, 2013, the Library will have determined if the Momentum central financial system will migrate from the Library's technical infrastructure to the CGI Infrastructure as a Service (IaaS).

**Performance Target 3:** By the end of fiscal 2013, assess the effort to secure funding of at least \$380,000 (and a commitment for \$370,000 which is the remainder of funds) for the Library exhibit which includes one of the four remaining original exemplifications of the Magna Carta (1215) as well as treasures from the Library collections to celebrate the 800th anniversary of its signing.

**Accomplishment:** The gap analysis conducted to identify any issues that would preclude the AOC from joining the Library's financial management system environment resulted in no major findings. In addition, the gap analysis identified an estimated average annual savings of \$1.9M for the legislative branch by migrating AOC into the Library's financial system environment. As a result, the Appropriations Committees appear to be supportive of the migration.

The Office of the Chief Financial Officer engaged a contractor to conduct a cost-benefit analysis of the Momentum system's underlying technical infrastructure needs. With the Appropriations Committees agreement, funding is now being sought to migrate the Momentum system from the Library's technical infrastructure to the CGI IaaS.

The Interpretive Programs Office established the exhibit cost at \$350,000. Subsequently, LAW adjusted the goal to \$350,000. Funds raised in the amount of \$351,000 in fiscal 2013 and collaboration with the Interpretive Programs Office (IPO) will lead to an exhibit and seminars celebrating the 800<sup>th</sup> anniversary of the signing of the Magna Carta to occur in fiscal 2014.

**Annual Objective:** The Library has coordinated and finalized the organizational framework for collaborating conservation research with partners and other research facilities.

**Performance Target:** The Library has coordinated an organizational framework for collaborative conservation research to enable best investment of research identified by evidence-based analysis.

**Accomplishment:** The Library completed coordination of an organizational framework for research investment through engagement with research partners and institutions to address specific gaps identified as areas for future evidence-based analysis of conservation research. Three evidence based meta-analyses of conservation research were completed and two circulated with over 31 research institutions. A report of recommendations received from partners and other research institutions was completed.

**Annual Objective:** The Library has sustained and expanded, as appropriate, its leadership and expertise recognition.

**Performance Target:** The Library has overseen completion of the three remaining activities identified as conditional for implementation of a new descriptive cataloging code, Resource Description & Access (RDA) for the Library and United States libraries.

**Accomplishment:** The Library and the national library community now use a modern cataloging standard that covers digital and analog materials equally, is usable in a linked data web environment, and is useful in many other countries, making it easier to share foreign cataloging data. ALA Publishing (an arm of the American Library Association) reworded all chapters of the new cataloging instructions, *RDA: Resource Description & Access*, and the reworded chapters were released in the online version, RDA Toolkit, in December 2012 and May 2013. The rewording makes RDA clearer and more accessible to its cataloging audience. The RDA Toolkit releases also included examples of RDA data in MARC and other formats. Credible progress was made in development of BIBFRAME, the new bibliographic framework that will replace MARC and make cataloging data retrievable as linked data in the semantic web environment. A high-level initial model, experimental records, and crosswalks between BIBFRAME and legacy systems were produced. The Library and the national library community successfully implemented RDA on March 31, 2013.

**Annual Objective:** The Library's rollout of the new digital talking book system (digital players and digital books) to blind and physically handicapped Americans is completed by the end of fiscal 2013.

**Performance Target 1:** Award two contracts for the production and distribution of magazine titles on digital flash cartridge by September 30, 2013.

**Performance Target 2:** Contract for the production of an average of 700 copies each of 2,100 new audio titles.

**Accomplishment:** The Library's production targets for the rollout of the new digital talking book system were achieved. This achievement will provide patrons the ability to read National Library Service produced magazines, and provide access to a wide and diverse selection of quality digital audio book titles using the program's digital talking book player, and/or the Braille and Audio Reading Download (BARD) system.

**Strategic Plan Goal:** Manage proactively for demonstrable results.

**Annual Objective:** The Library's Enterprise Architecture further facilitates effective and efficient IT modernization by more thoroughly integrating IT resources, by reducing duplicative aspects through promoting system sharing and reuse, by reducing risks, and by eliminating unnecessary maintenance costs

**Performance Target:** The Architecture Review Board (ARB) has established processes for the review and incorporation of sub-architecture-related documents into the Library's Enterprise Architecture.

**Accomplishment:** The Architecture Review Board successfully achieved all milestones associated with establishing processes for the review and incorporation of sub-architecture

related documents into the Library's Enterprise Architecture. This allows the ARB to review service unit investment proposals.

**Annual Objective:** The Library has reviewed and refined programs for flexible workplace and off-site Continuity of Operations (COOP) activities.

**Performance Target:** Complete and distribute the Library-wide COOP plan.

**Accomplishment:** The COOP plan is 85% complete and is expected to be 100% complete by March 31, 2014. Following its approval and distribution, the plan will be implemented in 2014 with a focus on training and execution of key components.

**Annual Objective:** The Library's strategic goals drive agency-wide support operations and annual performance.

**Performance Target:** There were two targets related to the work of the Architect of the Capitol and the Library's Facilities Office to improve the health and life-safety aspects of the Library's spaces for people and collection storage.

**Accomplishments:** Completion of or progress toward completing 26 of 27 scheduled projects have made the Library's buildings safer for staff, researchers, and visitors: smoke detection improvements, elevator recall for emergency responders, improved strobe warning lighting, sprinkler system improvements, hazardous material abatement, and fire door improvements. Additional projects to add to, upgrade, or improve the environment for collections storage areas on Capitol Hill and at Fort Meade moved forward through planning stages toward being ready for construction to begin.

**Performance Target:** There were three targets related to improving the management of human capital processes and resources.

**Accomplishments:** The accomplishment with the biggest impact in this series of targets centered on completing a master recruitment plan for all vacancies. These efforts led to more effective succession planning and recruitment. In addition, 72% of current supervisors completed the Essential Supervisory Skills course. These efforts led to increased awareness to improve management of human capital.

**Performance Target:** Implement a comprehensive and compliant Records Management Program.

**Accomplishments:** Digitally transmitted to NARA all required Librarians' correspondence from 1957 to 1987 and report of permanent records more than 30 years old to meet the legal requirement to retain all permanent federal records for the life of the Republic.

**Performance Target:** Reduce the number of high-risk hazards that were outstanding more than 30 days in fiscal 2012.

**Accomplishment:** In comparison to fiscal 2012, the Library successfully reduced the number of safety hazards unabated for more than 30 days by 6%. This improved the overall safety environment at the Library.

**Performance Target:** Assess and provide recommendations for physical security controls used for special format collections.

**Accomplishment:** Assessments for four special format areas were completed as planned: Music, Conservation, Rare Books, and Manuscripts divisions. These assessments led to recommendations for physical security controls used for special format collections.

**Annual Objective:** The Library's IT governance processes ensure that system development and maintenance projects proceed on schedule and use resources efficiently and in accordance with agreed-upon priorities.

**Performance Target 1:** By September 30, 2013, the Information Technology Steering Committee (ITSC) will have initiated a plan for inventorying all fiscal 2014 IT investments that fall within the ITSC-established investment thresholds.

**Performance Target 2:** By September 30, 2013, the ITSC will have reviewed and validated or updated the Investment Charter Template and the Information Technology Investment Management (ITIM) Control Phase Quarterly Report Template to reflect standard metrics that the ITSC will require to be documented in an IT investment being considered for approval. The ITSC will use these metrics to focus its monitoring of IT investments it has approved.

**Accomplishments:** In fiscal 2013, the ITSC initiated the development of a plan and associated guidance for inventorying all fiscal 2014 IT investments that fall within the ITSC-established investment thresholds. They also updated the IT Investment Charter Template and the ITIM Control Phase Quarterly Report Template. Including metrics in the IT investment charter and ITIM quarterly reports ensure that the metrics are reported on regularly by Library IT investment sponsors.

**Annual Objective:** Integrated planning and decision-making build transparency and accountability and set program priorities.

**Performance Target:** Two key recommendations identified in the Momentum Study Report, submitted in December 2012, have been implemented by September 30, 2013.

**Accomplishments:** By establishing the Momentum Configuration Group in 2013, the Office of the Chief Financial Officer (OCFO) followed through on one of the key recommendations that came out of the Momentum study conducted in fall 2012. While work has begun on establishing the curriculum associated with Momentum user certification, it has not been finalized. Fiscal 2013 efforts included: development of general course concepts, determining the frequency of courses and who should attend which courses. OCFO anticipates that the curriculum plan will now be completed by December 30, 2013. This group will work to identify improvements to Momentum and the related business processes used across service units.

**Annual Objective:** Performance plan requirements are aligned to the Library's strategic plan and organizational annual plans.

**Performance Target:** Library-wide manager and supervisor performance plans are aligned to Library's strategic plan and organizational plans.

**Accomplishment:** While the Library was only able to align 64% of manager and supervisor performance plans with the strategic plan, the degree of alignment achieved meant more individuals and their organizations were accountable for focusing their efforts on the Library's planned objectives for the year.

**Annual Objective:** All Library-wide staff development programs incorporate competencies in collaboration and innovation.

**Performance Target:** By the end of fiscal 2013 the Library will have included the competencies of collaboration and innovation for all four Library-wide staff development programs: Career Development Program, Leadership Development Program, Supervisor Development Program, and Agency wide training program.

**Accomplishment:** Competency development plans were created and validated for each identified program.

### **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 2013, all modules (139) Library-wide performed VAs on the identified financial and non-financial programs. Based on the results of the level of risk provided by the VAs, the number of selected modules that performed Detailed Control Reviews (DCRs) was 57. DCRs examine if control techniques are in place and working as intended. These 57 DCRs yielded 31 new Corrective Action Plans (CAPs). These CAPs will be monitored and tracked by program officials and verification reviewers until the deficiencies are resolved. All findings 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, 2013 and 2012

(in thousands)

	FY 2013	FY 2012
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 257,103	\$ 296,418
Investments (Note 3)	31,706	48,686
Accounts Receivable, Net (Note 4.A)	30,806	20,219
Other Intragovernmental Assets	304	233
<b>Total Intragovernmental</b>	<b>319,919</b>	<b>365,556</b>
Cash and Other Monetary Assets (Note 1.G)	144	258
Pledges Receivable – Donations (Note 4.B)	8,718	5,614
Investments (Note 3)	115,554	90,441
Inventory and Operating Materials (Note 1.K)	425	616
Property and Equipment, Net (Note 5)	59,351	62,485
Beneficial Interest in Perpetual Trust (Note 1.Q.3)	2,428	2,273
Other Assets	347	383
Library Collections (Note 1.M)		
<b>TOTAL ASSETS</b>	<b>\$ 506,886</b>	<b>\$ 527,626</b>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 2,425	\$ 4,822
Advances from Others	42,123	36,228
Accrued Unfunded Workers' Compensation (Note 8)	1,889	1,928
Other Intragovernmental Liabilities (Note 10)	27	169
<b>Total Intragovernmental</b>	<b>46,464</b>	<b>43,147</b>
Accounts Payable and Accrued Funded Payroll, Benefits	55,161	77,964
Deposit Account Liability	6,779	6,783
Accrued Unfunded Annual and Compensatory Leave	26,149	24,860
Actuarial Unfunded Workers' Compensation (Note 8)	8,923	8,319
Other Liabilities (Note 10)	5,573	4,719
<b>TOTAL LIABILITIES</b>	<b>\$ 149,049</b>	<b>\$ 165,792</b>
Commitments and Contingencies (Note 9)		
<b>NET POSITION</b>		
Unexpended Appropriations – All Other Funds	\$ 141,486	\$ 151,519
Cumulative Results of Operations – All Other Funds	35,064	40,066
<b>Total Net Position – All Other Funds</b>	<b>176,550</b>	<b>191,585</b>
Cumulative Results of Operations – Dedicated Collections (Combined) (Note 17)	181,287	170,249
<b>Total Net Position – Dedicated Collections (Combined) (Note 17)</b>	<b>181,287</b>	<b>170,249</b>
<b>TOTAL NET POSITION</b>	<b>\$ 357,837</b>	<b>\$ 361,834</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 506,886</b>	<b>\$ 527,626</b>

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, 2013 and 2012

	(in thousands)	
	FY 2013	FY 2012
<b>NET COSTS BY PROGRAM AREA</b>		
<b>National Library:</b>		
Program Costs	\$ 406,468	\$ 469,201
Less: Earned Revenue	(3,256)	(3,208)
<b>Net Program Costs</b>	<b>403,212</b>	<b>465,993</b>
<b>Law Library:</b>		
Program Costs	22,556	25,383
Less: Earned Revenue	(1)	(6)
<b>Net Program Costs</b>	<b>22,555</b>	<b>25,377</b>
<b>Copyright Office:</b>		
Program Costs	70,168	77,912
Less: Earned Revenue	(32,484)	(31,787)
<b>Net Program Costs</b>	<b>37,684</b>	<b>46,125</b>
<b>Congressional Research Service:</b>		
Program Costs	133,021	136,188
Less: Earned Revenue	(3)	(3)
<b>Net Program Costs</b>	<b>133,018</b>	<b>136,185</b>
<b>National Library Service for the Blind and Physically Handicapped:</b>		
Program Costs	51,208	70,721
Less: Earned Revenue	(3)	(3)
<b>Net Program Costs</b>	<b>51,205</b>	<b>70,718</b>
<b>Revolving and Reimbursable Funds:</b>		
Program Costs	105,500	105,446
Less: Earned Revenue	(85,452)	(87,530)
<b>Net Program Costs</b>	<b>20,048</b>	<b>17,916</b>
<b>NET COSTS OF OPERATIONS</b>	<b>\$ 667,722</b>	<b>\$ 762,314</b>

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, 2013 and 2012

(in thousands)

	FY 2013			FY 2012		
	Dedicated Collections (Combined)	All Other Funds (Combined)	Consolidated Total	Dedicated Collections (Combined)	All Other Funds (Combined)	Consolidated Total
<b>CUMULATIVE RESULTS OF OPERATIONS</b>						
Beginning Balances	\$ 170,249	\$ 40,066	\$ 210,315	\$ 169,793	\$ 38,206	\$ 207,999
Budgetary Financing Sources:						
Appropriations Used	0	562,134	562,134	0	612,482	612,482
Non-exchange Revenue	423	0	423	420	0	420
Donations of Cash or Securities	6,775	1	6,776	8,013	1	8,014
Transfers In/(Out) Without Reimbursement	0	0	0	0	(224)	(224)
Other	2,573	0	2,573	2,484	0	2,484
Other Financing Sources (Non-exchange):						
Donations of Property and Services	341	0	341	422	26,764	27,186
Transfers In/(Out) Without Reimbursement	(106)	106	0	0	0	0
Imputed Financing	3,728	87,318	91,046	2,895	99,226	102,121
Other	10,474	(9)	10,465	12,147	0	12,147
<b>Total Financing Sources</b>	<b>24,208</b>	<b>649,550</b>	<b>673,758</b>	<b>26,381</b>	<b>738,249</b>	<b>764,630</b>
<b>Net Cost of Operations</b>	<b>(13,170)</b>	<b>(654,552)</b>	<b>(667,722)</b>	<b>(25,925)</b>	<b>(736,389)</b>	<b>(762,314)</b>
<b>Net Change</b>	<b>11,038</b>	<b>(5,002)</b>	<b>6,036</b>	<b>456</b>	<b>1,860</b>	<b>2,316</b>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>	<b>\$ 181,287</b>	<b>\$ 35,064</b>	<b>\$ 216,351</b>	<b>\$ 170,249</b>	<b>\$ 40,066</b>	<b>\$ 210,315</b>
<b>UNEXPENDED APPROPRIATIONS</b>						
Beginning Balances	\$0	\$151,519	\$151,519	\$0	\$182,590	\$182,590
Budgetary Financing Sources:						
Appropriations Received	0	588,607	588,607	0	587,344	587,344
Appropriations Transferred In/(Out)	0	0	0	0	0	0
Other Adjustments	0	(36,506)	(36,506)	0	(5,933)	(5,933)
Appropriations Used	0	(562,134)	(562,134)	0	(612,482)	(612,482)
<b>Total Budgetary Financing Sources</b>	<b>0</b>	<b>(10,033)</b>	<b>(10,033)</b>	<b>0</b>	<b>(31,071)</b>	<b>(31,071)</b>
<b>TOTAL UNEXPENDED APPROPRIATIONS</b>	<b>0</b>	<b>141,486</b>	<b>141,486</b>	<b>0</b>	<b>151,519</b>	<b>151,519</b>
<b>NET POSITION</b>	<b>\$ 181,287</b>	<b>\$ 176,550</b>	<b>\$ 357,837</b>	<b>\$ 170,249</b>	<b>\$ 191,585</b>	<b>\$ 361,834</b>

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, 2013 and 2012

(in thousands)

	FY 2013	FY 2012
<b>BUDGETARY RESOURCES</b>		
Unobligated balance brought forward, October 1	\$ 90,065	\$ 99,707
Recoveries of prior year unpaid obligations	25,761	16,338
Other changes in unobligated balance (+ or -)	(5,790)	(6,158)
<b>Unobligated balance from prior year budget authority, net</b>	<b>110,036</b>	<b>109,887</b>
Appropriations (discretionary and mandatory)	572,720	606,063
Spending authority from offsetting collections (discretionary and mandatory)	142,847	143,520
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 825,603</b>	<b>\$ 859,470</b>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations incurred (Note 18)	\$ 744,427	\$ 769,405
<b>Unobligated balance, end of year:</b>		
Exempt from apportionment	65,516	72,593
Unapportioned	15,660	17,472
<b>Total unobligated balance, end of year</b>	<b>81,176</b>	<b>90,065</b>
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 825,603</b>	<b>\$ 859,470</b>
<b>CHANGE IN OBLIGATED BALANCE</b>		
<b>Unpaid Obligations:</b>		
Unpaid obligations, brought forward, October 1 (gross)	\$ 257,624	\$ 278,184
Obligations incurred	744,427	769,405
Outlays (gross) (-)	(754,401)	(773,627)
Recoveries of prior year unpaid obligations (-)	(25,761)	(16,338)
Unpaid obligations, end of year (gross)	221,889	257,624
<b>Uncollected Payments:</b>		
Uncollected payments from federal sources, brought forward, October 1 (-)	(20,240)	(14,486)
Change in uncollected payments from federal sources (+ or -)	(10,569)	(5,754)
Uncollected payments from federal sources, end of year (-)	(30,809)	(20,240)
<b>OBLIGATED BALANCE, START OF YEAR (NET)</b>	<b>\$ 237,384</b>	<b>\$ 263,698</b>
<b>OBLIGATED BALANCE, END OF YEAR (NET)</b>	<b>\$ 191,080</b>	<b>\$ 237,384</b>
<b>BUDGET AUTHORITY AND OUTLAYS, NET</b>		
Budget authority, gross (discretionary and mandatory)	\$ 715,566	\$ 749,583
Actual offsetting collections (discretionary and mandatory) (-)	(132,278)	(137,766)
Change in uncollected customer payments from federal sources (discretionary and mandatory) (+ or -)	(10,569)	(5,754)
<b>BUDGET AUTHORITY, NET (DISCRETIONARY AND MANDATORY)</b>	<b>\$ 572,720</b>	<b>\$ 606,063</b>
Outlays, gross (discretionary and mandatory)	\$ 754,401	\$ 773,627
Actual offsetting collections (discretionary and mandatory) (-)	(132,278)	(137,766)
Outlays, net (discretionary and mandatory)	622,123	635,861
Distributed offsetting receipts (-)	(479)	(326)
<b>AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)</b>	<b>\$ 621,644</b>	<b>\$ 635,535</b>

*(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 2013 and 2012. 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 a regulation (LCR 1510), which adopts FASAB standards for financial reporting and internal controls in a manner consistent with a legislative agency, and insofar as practical, conforms to GAAP for federal agencies. The Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budgetary data into the overall federal government structure. The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers Financial Integrity Act, the Government Performance and Results Act, and the GPRA Modernization Act, as these standards are not applicable to the Library. However, the Library uses these sources as guidance and reference in its operations.

For fiscal 2013 (and 2012) the statements include 4 (4) appropriated fund accounts; 26 (26) revolving and gift revolving funds; 37 (32) reimbursable funds; 106 (105) TFB funds; and 137 (145) 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 2013 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 2012, the Ad Council provided nearly all of the in-kind donations in the form of free advertising for America's Library website. The contract with Ad Council ended in July 2012. During fiscal years 2013 and 2012, vendors provided in-kind donations for the Library's annual book festival. Finally, 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 asset value of approximately \$165.9 million and \$156.1 million during fiscal years 2013 and 2012, respectively. Funds are restricted as to their use, which must be in accordance with the terms of the gift agreement. In general, TFB funds are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on TFB funds by the terms of an agreement or donor's will. Library fund managers administer and oversee the gift and TFB funds to ensure they are used as directed by the donors and in accordance with Library policy.

## **F. Fund Balance with Treasury**

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

## G. Cash and Other Monetary Assets

Cash and other monetary assets are defined as all cash not held by the U.S. Treasury. This category includes deposits in transit, cash on hand and imprest funds. The Library receives and utilizes foreign currencies in carrying out operations abroad as it conducts business through six overseas offices. Foreign currency balances at year-end are immaterial to the financial statements.

## H. Investments (Net)

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

- A permanent loan with the U.S. Treasury
- A pool of U.S. Treasury market-based securities
- A private investment pool consisting of the following stock, index and money market funds utilized during fiscal 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

and utilized during fiscal 2012:

- Harbor Capital Appreciation Fund
- Neuberger Berman Large Cap Growth Fund
- Diamond Hill Investments
- Institutional Capital Corporation (ICAP) Investments
- Vaughan Nelson Investment Management
- Frontier Capital Management
- Artio International Equity Fund
- Thornburg International Value Fund
- Lazard Emerging Markets Fund

- Dodge & Cox Income Fund
- PIMCO Total Return Fund
- Brandywine Global Opportunistic 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 reimbursable interagency agreements for database retrieval and other library services. The Library has established an allowance for doubtful accounts against accounts receivable due from non-federal customers, based on past collection experience. The Library does not record a percentage allowance for doubtful accounts for intragovernmental accounts receivable in accordance with SFFAS No. 1, "Accounting for Selected Assets and Liabilities," which cites that "losses on receivables should be recognized when it is more likely than not that the receivable will not be totally collected." Intragovernmental receivables are likely to be totally collected.

## **J. Pledges Receivable**

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

## **K. Inventory and Related Property**

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

## **L. Property and Equipment**

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

Property and equipment accounts are maintained in three categories of funds: appropriated, reimbursable and revolving. The appropriated fund category includes all property and equipment used by the Library for general operations. Property and equipment purchased by the Integrated Support Services Administrative Working Fund are recorded in the reimbursable funds. Property and equipment purchased by FEDLINK, the Federal Research Program, Document Reproduction and Microfilm Service, Audio-Visual Duplication Services, and the Cooperative Acquisitions Program are recorded in the revolving funds.

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

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

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

Land and buildings are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center), a secondary storage facility at Fort Meade, Maryland, and the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia. The Architect receives an appropriation from 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 \$100,000.

### **M. Library Collections**

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

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

Copyright deposits are a major source of the Library's collections of Americana. The Library also acquires materials by purchase, transfer from other federal agencies, gift, domestic and international exchange, or by provisions of state and federal law. Many of these materials are foreign publications. Various preservation methods are used to maintain the collections, and disposals occur only for the exchange and gift of unwanted or duplicate copies. As of September 30, 2013 and 2012 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 17% and 18% of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2013 and 2012, respectively, to which the Library makes contributions equal to 7.0% of pay. Of those participating in CSRS, approximately 2% during fiscal years 2013 and 2012 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 80% and 79% of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2013 and 2012, respectively, to which the Library's normal contribution was 11.9% and 11.9% of pay during fiscal years 2013 and 2012. 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. Effective for fiscal 2013, for the few Revised Annuity Employees (RAE) under FERS, the agency contribution rate is 9.6%.

Approximately 3% of the Library's employees were covered only by FICA during fiscal years 2013 and 2012, to which the Library contributes the employer's matching share.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of Social Security, FERS and CSRS is not allocated to individual federal departments and agencies. 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 32.3 and 29.8% during fiscal years 2013 and 2012, respectively. For FERS the service cost factor was 14.2 and 13.7% during fiscal years 2013 and 2012, respectively. The service cost factor is applied to the annualized employee pay, less the Library's funded contributions, to derive the imputed retirement pension cost being financed directly by OPM. This unfunded cost was offset by an imputed financing source.

## **P. Federal Government Transactions**

The financial activities of the Library interact with and depend on other federal government agencies. Thus, the Library's financial statements do not reflect all financial decisions and activities applicable to it as if it were a stand-alone entity. The financial statements do not contain the cost of activities performed for the benefit of the entire government, nor do they include the agency's share of the federal deficit or of public borrowings, including interest thereon. However, expenses have been recognized for expenses incurred by certain other agencies on behalf of the Library. 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 the 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 of the Department of State as documented by the International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices.
- General Services Administration (GSA) provides building and vehicle leasing services for the Library.

## Q. Related Party Organizations

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

1. **Telephone Pioneers of America** - The Telephone Pioneers is a large industry-related organization that voluntarily repairs sound reproduction machines for the blind and physically handicapped program. Approximately 1,500 Telephone Pioneers (AT&T retirees) and Elfuns (General Electric retirees) donate their time to repair the machines.
2. **Library of Congress Child Care Association (LCCCA)** - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street, District of Columbia. The center provides childcare for Library employees and other federal and non-federal employees. Its operations, management, and employees are the responsibility of the LCCCA and not the Library. However, the Library and the Architect of the Capitol support the center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. In addition, the Library, in accordance with Public Law 106-554, pays the government contributions for individuals receiving health, life and retirement benefits provided by the Office of Personnel Management. The Library provides an official who is a non-voting representative on the center's Board of Directors and who acts as a liaison with the Library.
3. **The Archer M. Huntington Charitable Trust – 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 with a fair value of assets of \$4.9 million and \$4.5 million at September 30, 2013 and 2012, respectively. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultanthip 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 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. One half of the value of the assets is \$2.4 million and \$2.3 million, as of September 30, 2013 and 2012, respectively.

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**

1. **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. Entities were required in fiscal 2013 by the Implementation Guidance found in the standard, to restate prior period amounts displayed on the face of the financial statements and disclosed in notes. Therefore, fiscal 2012 amounts have been restated to conform to this new standard.

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.

2. **Statement of Budgetary Resources**

The Library has prepared the Statement of Budgetary Resources (SBR) using guidance published in the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements. The new guidance was issued to more closely align the SBR with other

budgetary reporting outside of this financial report. 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. Both fiscal 2013 and fiscal 2012 SBR, as well as the table in related Note 18 have been re-formatted. While amounts may be combined in a new way, no audited amounts from 2012 were changed.

### **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.

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 requested 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.

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.

<b>NOTE 2</b>	<b>FUND BALANCE WITH TREASURY</b>
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**A. Fund Balance with Treasury as of September 30, 2013 and 2012, is summarized as follows:**

	(in thousands)	
	FY 2013	FY 2012
Appropriated Funds	\$ 170,400	\$ 201,345
Revolving and Reimbursable Funds	70,321	78,210
Gift and TFB Funds <sup>1</sup>	15,459	15,778
Deposit and Other Funds	923	1,085
<b>TOTAL</b>	<b>\$ 257,103</b>	<b>\$ 296,418</b>

<sup>1</sup> As of September 30, 2013 and 2012, 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 2013	FY 2012
Unobligated Balances – Available	\$ 39,562	\$ 29,406
Unobligated Balances – Unavailable	25,532	28,142
Obligated Balances Not Yet Disbursed	191,086	237,785
Non-budgetary	923	1,085
<b>TOTAL</b>	<b>\$ 257,103</b>	<b>\$ 296,418</b>

<b>NOTE 3</b>	<b>INVESTMENTS, NET</b>
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Investments as of September 30, 2013 and 2012 are as follows:

(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
<b>INVESTMENTS, NET</b>	<b>\$ 31,706</b>	<b>\$ 95,895</b>	<b>\$ 127,601</b>
<b>MARKET VALUE</b>	<b>\$ 31,724</b>	<b>\$ 115,554</b>	<b>\$ 147,278</b>

(in thousands)

FY 2012	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 48,694	\$ 0	\$ 48,694
Cost	0	81,101	81,101
Unamortized Premium	0	0	0
Unrealized Discount	(8)	0	(8)
Interest Receivable	0	0	0
<b>INVESTMENTS, NET</b>	<b>\$ 48,686</b>	<b>\$ 81,101</b>	<b>\$ 129,787</b>
<b>MARKET VALUE</b>	<b>\$ 48,775</b>	<b>\$ 90,441</b>	<b>\$ 139,216</b>

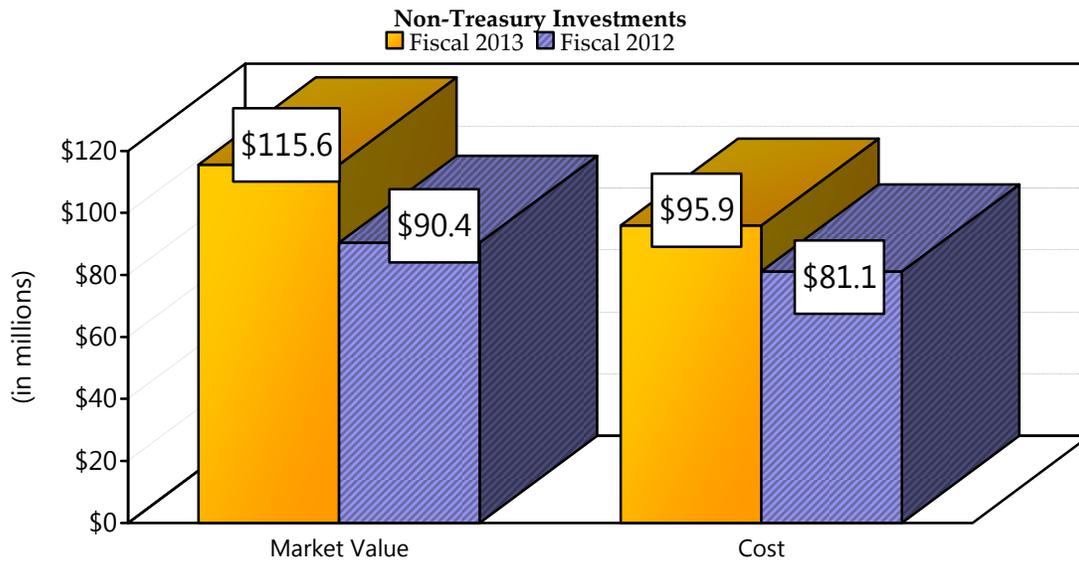
### A. Intragovernmental Investments

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 2013 and 2012 range from January 10, 2013 to February 20, 2014 and January 5, 2012 to January 3, 2013, respectively, and interest rates for the same fiscal years range from 0.005% to 0.115% and 0.005% to 0.105%, respectively.

### B. Other Investments

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

Balances as of September 30, 2013 and 2012 are as follows:



**NOTE 4      RECEIVABLES**

The breakdown of consolidated gross and net accounts receivable as of September 30, 2013 and 2012 are as follows:

**A. Accounts Receivable**

	(in thousands)	
	FY 2013	FY 2012
Intragovernmental Accounts Receivable, Gross and Net	\$ 30,806	20,219
With the Public:		
Accounts Receivable, Gross	464	458
Less: Allowance for Doubtful Accounts	(117)	(75)
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 347</b>	<b>\$ 383</b>

**B. Pledges Receivable**

As of September 30, 2013 and 2012, the Library had unconditional pledges of contributions totaling \$11.4 million and \$20.7 million, which were discounted through fiscal 2033 at market discount rates and included in the statement of financial position at their discounted value of \$8.7 million and \$5.6 million, respectively.

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

(in thousands)		
	FY 2013	FY 2012
2013	\$ 0	\$ 1,801
2014	2,423	1,266
2015	1,251	234
2016	1,152	155
2017	1,054	2
2018 and thereafter	2,838	2,156
<b>TOTAL</b>	<b>\$ 8,718</b>	<b>\$ 5,614</b>

<b>NOTE 5</b>	<b>PROPERTY AND EQUIPMENT</b>
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Property and equipment that were capitalized as of September 30, 2013 and 2012 are as follows:

(in thousands)						
Classes of Property and Equipment	FY 2013			FY 2012		
	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Operating Equipment	\$ 85,766	\$ 67,181	\$ 18,585	\$ 81,659	\$ 61,349	\$ 20,310
Software	73,234	50,474	22,760	68,639	46,762	21,877
Furniture & Furnishings	1,919	1,037	882	1,919	931	988
Leasehold Improvements	40,439	23,315	17,124	39,294	20,729	18,565
Leasehold Improvements-In Progress	0	0	0	745	0	745
<b>TOTAL</b>	<b>\$ 201,358</b>	<b>\$ 142,007</b>	<b>\$ 59,351</b>	<b>\$ 192,256</b>	<b>\$ 129,771</b>	<b>\$ 62,485</b>

<b>NOTE 6</b>	<b>NON-ENTITY ASSETS</b>
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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 2013	FY 2012
Intragovernmental Non-Entity Assets	\$ 0	\$ 0
Accounts Receivable-With the Public	17	17
Total Non-Entity Assets	\$ 17	\$ 17
Total Entity Assets	\$ 506,869	\$ 527,609
<b>TOTAL ASSETS</b>	<b>\$ 506,886</b>	<b>\$ 527,626</b>

<b>NOTE 7</b>	<b>LEASES</b>
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**A. Capital Leases**

The Library did not have assets under capitalized leases as of September 30, 2013 and 2012.

**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 2013 and 2012 amounted to \$9.6 million and \$5.7 million, respectively.

Under existing commitments as of September 30, 2013 estimated future minimum lease payments through fiscal year 2018 are as follows:

	(in thousands)	
	FY 2013	FY 2012
2013	\$ 0	\$ 5,871
2014	6,002	5,843
2015	5,836	5,741
2016	4,489	4,396
2017	3,812	3,752
2018 and thereafter	16,804	16,651
<b>TOTAL ESTIMATED FUTURE LEASE PAYMENTS</b>	<b>\$ 36,943</b>	<b>\$ 42,254</b>

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

The Library is using estimates provided by DOL to report the FECA liability. The Library accrued \$1.9 million and \$1.9 million of unbilled or unpaid workers' compensation costs as of September 30, 2013 and 2012, 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 \$8.9 million and \$8.3 million as of September 30, 2013 and 2012, 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 (including a class action lawsuit) may range up to \$13 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**

Other Liabilities as of September 30, 2013 and 2012 are comprised of the following:

(in thousands)		
	FY 2013	FY 2012
Other Liabilities-Intragovernmental:		
Deferred Credits	\$ 0	\$ (22)
Liability for Clearing Accounts	27	191
Total Intragovernmental	27	169
Contingent Liability (see Note 1.S)	1,855	0
Deferred Credits and Pledges	0	603
Advances From the Public	3,718	4,116
Total With the Public	5,573	4,719
<b>TOTAL</b>	<b>\$ 5,600</b>	<b>\$ 4,888</b>

**NOTE 11****LIABILITIES COVERED AND NOT COVERED  
BY BUDGETARY RESOURCES**

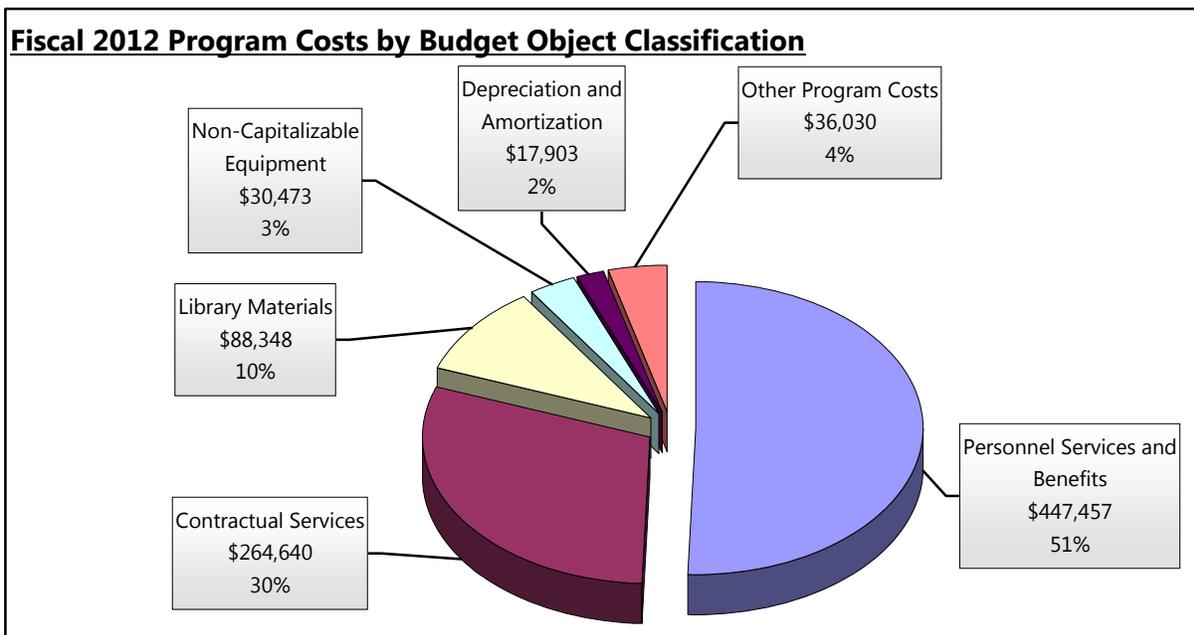
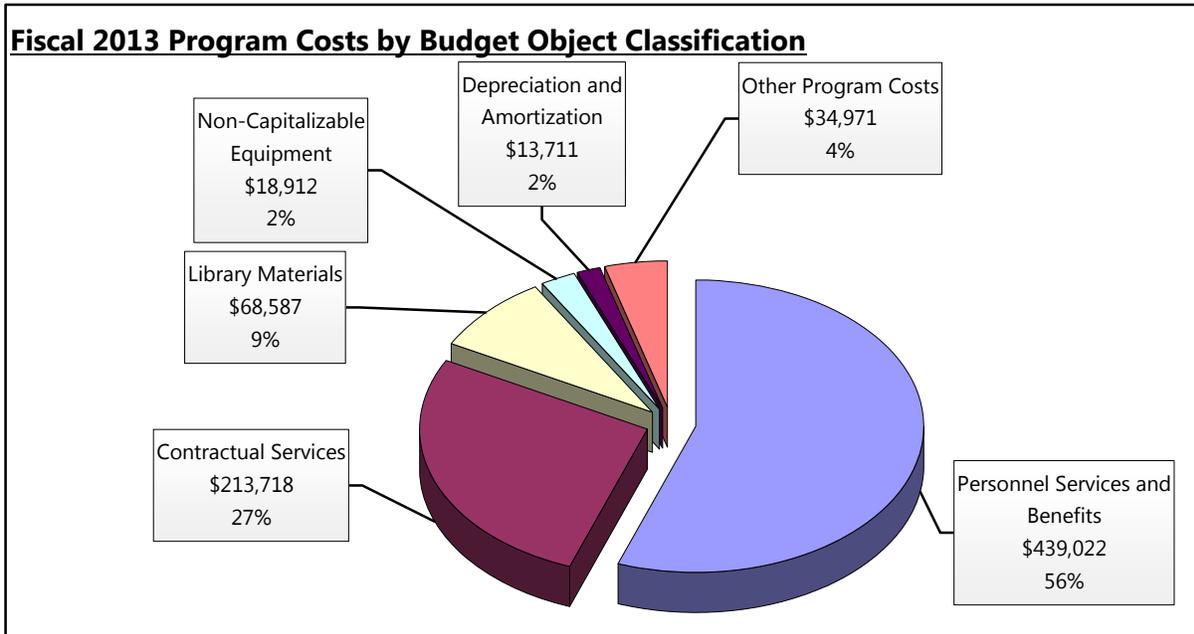
(in thousands)		
	FY 2013	FY 2012
Liabilities Covered by Budgetary Resources	\$ 110,234	\$ 130,684
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental	1,889	1,928
With the Public	36,926	33,180
<b>TOTAL</b>	<b>\$ 149,049</b>	<b>\$ 165,792</b>

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. \$25 million and \$27.9 million of the amount designated as Library Materials above represents the cost incurred by the Library for Heritage Assets in fiscal years 2013 and 2012, respectively,

<b>NOTE 13</b>	<b>PROGRAM COSTS AND EARNED REVENUE BY FUNCTIONAL CLASSIFICATION</b>
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#### A. Program Costs by Functional Classification

	(in thousands)	
	FY 2013	FY 2012
Commerce and Housing Credit	\$ 55,043	\$ 60,373
Education, Training, Employment, and Social Services	620,890	708,240
General Government	112,988	116,238
<b>TOTAL</b>	<b>\$ 788,921</b>	<b>\$ 884,851</b>

#### B. Earned Revenue by Functional Classification

	(in thousands)	
	FY 2013	FY 2012
Commerce and Housing Credit	\$ 32,482	\$ 31,786
Education, Training, Employment, and Social Services	88,701	90,743
General Government	16	8
<b>TOTAL</b>	<b>\$ 121,199</b>	<b>\$ 122,537</b>

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

Were the Library to increase fees and prices to recover full costs to the government for providing goods and services in its business-like activities, this would in some cases reduce the quantity of goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue foregone from charging fees that do not recover full costs to the government and (2) to what extent the quantity of goods and services demanded would change as a result of changes in prices and fees. Under the Copyright Act, the Copyright Office is required to collect fees. The Act does not require the recovery of the full costs of operations, but rather the 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 2013	FY 2012
<b>Audio-Visual Duplication Services:</b>	Program Cost	\$ 181	\$ 208
	Less: Earned Revenue	(122)	(112)
	<b>Net Program Cost</b>	<b>59</b>	<b>96</b>
<b>Cooperative Acquisitions Program:</b>	Program Cost	2,744	2,867
	Less: Earned Revenue	(2,896)	(2,797)
	<b>Net Program Cost</b>	<b>(152)</b>	<b>70</b>
<b>Decimal Classification:</b>	Program Cost	117	201
	Less: Earned Revenue	(139)	(233)
	<b>Net Program Cost</b>	<b>(22)</b>	<b>(32)</b>
<b>Document Reproduction and Microfilm Services:</b>	Program Cost	1,313	1,253
	Less: Earned Revenue	(859)	(827)
	<b>Net Program Cost</b>	<b>454</b>	<b>426</b>
<b>Gift Shop Operations:</b>	Program Cost	1,810	1,662
	Less: Earned Revenue	(2,000)	(1,851)
	<b>Net Program Cost</b>	<b>(190)</b>	<b>(189)</b>
<b>Federal Research Program:</b>	Program Cost	4,603	3,667
	Less: Earned Revenue	(4,361)	(3,760)
	<b>Net Program Cost</b>	<b>242</b>	<b>(93)</b>
<b>FEDLINK:</b>	Program Cost	72,848	75,131
	Less: Earned Revenue	(70,974)	(74,863)
	<b>Net Program Cost</b>	<b>1,874</b>	<b>268</b>
<b>Special Events:</b>	Program Cost	2,844	2,763
	Less: Earned Revenue	(1,823)	(1,507)
	<b>Net Program Cost</b>	<b>1,021</b>	<b>1,256</b>
	<b>Total Program Cost</b>	<b>86,460</b>	<b>87,752</b>
	<b>Less: Total Earned Revenue</b>	<b>(83,174)</b>	<b>(85,950)</b>
	<b>TOTAL PROGRAM COSTS</b>	<b>\$ 3,286</b>	<b>\$ 1,802</b>

These programs are discussed further in Note 1.D.

<b>NOTE 16</b>	<b>CLASSIFICATION OF PROGRAM COSTS</b>
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(in thousands)

FY 2013	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$ 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
<b>TOTAL</b>	<b>\$ 196,279</b>	<b>\$ 73</b>	<b>\$ 592,521</b>	<b>\$ 48</b>	<b>\$ 788,921</b>

(in thousands)

FY 2012	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
National Library	\$ 132,635	\$ 46	\$ 336,498	\$ 22	\$ 469,201
Law Library	7,886	3	17,494	0	25,383
Copyright Office	19,277	25	58,610	0	77,912
Congressional Research Service	30,890	37	105,261	0	136,188
National Library Service for the Blind and Physically Handicapped	7,058	13	63,650	0	70,721
Revolving and Reimbursable Funds	6,504	33	98,909	0	105,446
<b>TOTAL</b>	<b>\$ 204,250</b>	<b>\$ 157</b>	<b>\$ 680,422</b>	<b>\$ 22</b>	<b>\$ 884,851</b>

<b>NOTE 17</b>
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<b>FUNDS FROM DEDICATED COLLECTIONS</b>
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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 \$3.3 million and \$3.3 million for fiscal years 2013 and 2012, respectively and
  - The Copyright Office, pursuant to 17 U.S.C. 708(d), is authorized to collect fees for the registration of a copyright claim and other copyright recordation and filing activities. Fees collected for these services were \$27.7 million and \$26.8 million for fiscal years 2013 and 2012, 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 \$9.9 million and \$11.1 million for fiscal years 2013 and 2012, respectively;
- Copyright Licensing Expenses revenues of \$4.8 million and \$5.0 million for fiscal years 2013 and 2012, 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, 2013, is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

	(in thousands)				
FY 2013 (Combined)	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Copyright Licensing Expenses	Total Dedicated Collections
<b>Balance Sheet:</b>					
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
<b>TOTAL ASSETS</b>	<b>\$ 14,517</b>	<b>\$ 10,399</b>	<b>\$ 167,251</b>	<b>\$ 0</b>	<b>\$ 192,167</b>
Liabilities	\$ 4,051	\$ 4,375	\$ 2,454	\$ 0	\$ 10,880
Cumulative Results of Operations	10,466	6,024	164,797	0	181,287
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 14,517</b>	<b>\$ 10,399</b>	<b>\$ 167,251</b>	<b>\$ 0</b>	<b>\$ 192,167</b>
<b>Statement of Net Cost:</b>					
Program Costs	\$ 33,184	\$ 9,598	\$ 11,189	\$ 4,761	\$ 58,732
Less: Earned Revenue	(31,026)	(9,601)	(174)	(4,761)	(45,562)
<b>NET COST OF OPERATIONS</b>	<b>\$ 2,158</b>	<b>\$ (3)</b>	<b>\$ 11,015</b>	<b>\$ 0</b>	<b>\$ 13,170</b>
<b>Statement of Changes in Net Position:</b>					
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
<b>Change in Net Position</b>	<b>680</b>	<b>718</b>	<b>9,640</b>	<b>0</b>	<b>11,038</b>
<b>NET POSITION, ENDING</b>	<b>\$ 10,466</b>	<b>\$ 6,024</b>	<b>\$ 164,797</b>	<b>\$ 0</b>	<b>\$ 181,287</b>

Fiscal data as of, and for the year ended September 30, 2012 is summarized below.

FY 2012 (Combined)	(in thousands)				
	Offsetting Collections Funds	Public Revolving Funds	Gift and TFB Funds	Copyright Licensing Expenses	Total Dedicated Collections
<b>Balance Sheet:</b>					
Fund Balance with Treasury	\$ 12,884	\$ 9,331	\$ 14,398	\$ 0	\$ 36,613
Investments in U.S. Treasury Securities	0	0	42,850	0	42,850
Other Assets	1,904	711	99,210	0	101,825
<b>TOTAL ASSETS</b>	<b>\$ 14,788</b>	<b>\$ 10,042</b>	<b>\$ 156,458</b>	<b>\$ 0</b>	<b>\$ 181,288</b>
<b>Liabilities</b>					
Liabilities	\$ 5,002	\$ 4,736	\$ 1,301	\$ 0	\$ 11,039
Cumulative Results of Operations	9,786	5,306	155,157	0	170,249
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 14,788</b>	<b>\$ 10,042</b>	<b>\$ 156,458</b>	<b>\$ 0</b>	<b>\$ 181,288</b>
<b>Statement of Net Cost:</b>					
Program Costs	\$ 40,253	\$ 9,453	\$ 15,610	\$ 4,987	\$ 70,303
Less: Earned Revenue	(30,129)	(9,110)	(152)	(4,987)	(44,378)
<b>NET COST OF OPERATIONS</b>	<b>\$ 10,124</b>	<b>\$ 343</b>	<b>\$ 15,458</b>	<b>\$ 0</b>	<b>\$ 25,925</b>
<b>Statement of Changes in Net Position:</b>					
Net Position, Beginning	\$ 17,911	\$ 4,868	\$ 147,014	\$ 0	\$ 169,793
Net Cost	(10,124)	(343)	(15,458)	(0)	(25,925)
Non-Exchange Revenues and Donation Receipts	0	0	8,433	0	8,433
Other Financing Sources	1,999	781	15,168	0	17,948
<b>Change in Net Position</b>	<b>(8,125)</b>	<b>438</b>	<b>8,143</b>	<b>0</b>	<b>456</b>
<b>NET POSITION, ENDING</b>	<b>\$ 9,786</b>	<b>\$ 5,306</b>	<b>\$ 155,157</b>	<b>\$ 0</b>	<b>\$ 170,249</b>

<b>NOTE 18</b>	<b>BUDGETARY RESOURCES</b>
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Budgetary resources are classified as follows:

(in thousands)

	FY 2013			FY 2012		
	Appropriated Capital	Non- Appropriated Capital	Combined	Appropriated Capital	Non- Appropriated Capital	Combined
<i><b>Budgetary Resources:</b></i>						
Unobligated balance brought forward, October 1	\$ 20,442	\$ 69,623	\$ 90,065	\$ 29,357	\$ 70,350	\$ 99,707
Recoveries of prior year unpaid obligations	14,153	11,608	25,761	4,829	11,509	16,338
Other changes in unobligated balance (+ or -)	(5,781)	(9)	(5,790)	(5,934)	(224)	(6,158)
<b>Unobligated balance from prior year budget authority, net</b>	<b>28,814</b>	<b>81,222</b>	<b>110,036</b>	<b>28,252</b>	<b>81,635</b>	<b>109,887</b>
Appropriations (discretionary and mandatory)	557,883	14,837	572,720	587,344	18,719	606,063
Spending authority from offsetting collections (discretionary and mandatory)	1,399	141,448	142,847	1,648	141,872	143,520
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 588,096</b>	<b>\$ 237,507</b>	<b>\$ 825,603</b>	<b>\$ 617,244</b>	<b>\$ 242,226</b>	<b>\$ 859,470</b>

<i><b>Status of Budgetary Resources:</b></i>						
Obligations incurred	\$ 569,422	\$ 175,005	\$ 744,427	\$ 596,802	\$ 172,603	\$ 769,405
<b>Unobligated balance, end of year:</b>						
Exempt from apportionment	3,599	61,917	65,516	3,675	68,918	72,593
Unapportioned	15,075	585	15,660	16,767	705	17,472
<b>Total unobligated balance, end of year</b>	<b>18,674</b>	<b>62,502</b>	<b>81,176</b>	<b>20,442</b>	<b>69,623</b>	<b>90,065</b>
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 588,096</b>	<b>\$ 237,507</b>	<b>\$ 825,603</b>	<b>\$ 617,244</b>	<b>\$ 242,226</b>	<b>\$ 859,470</b>

(in thousands)

	FY 2013			FY 2012		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<i>Change in Obligated Balance:</i>						
<b>Unpaid obligations:</b>						
Unpaid obligations, brought forward, October 1 (gross)	\$ 181,353	\$ 76,271	\$ 257,624	\$ 204,086	\$ 74,098	\$ 278,184
Obligations incurred	569,422	175,005	744,427	596,802	172,603	769,405
Outlays (gross) (-)	(584,847)	(169,554)	(754,401)	(614,706)	(158,921)	(773,627)
Recoveries of prior year unpaid obligations (-)	(14,153)	(11,608)	(25,761)	(4,829)	(11,509)	(16,338)
<b>UNPAID OBLIGATIONS, END OF YEAR (GROSS)</b>	<b>151,775</b>	<b>70,114</b>	<b>221,889</b>	<b>181,353</b>	<b>76,271</b>	<b>257,624</b>
<b>Uncollected Payments:</b>						
Uncollected customer payments from federal sources, brought forward, October 1 (-)	(397)	(19,843)	(20,240)	(26)	(14,460)	(14,486)
Change in uncollected customer payments from federal sources (+ or -)	389	(10,958)	(10,569)	(371)	(5,383)	(5,754)
<b>UNCOLLECTED CUSTOMER PAYMENTS FROM FEDERAL SOURCES, END OF YEAR (-)</b>	<b>(8)</b>	<b>(30,801)</b>	<b>(30,809)</b>	<b>(397)</b>	<b>(19,843)</b>	<b>(20,240)</b>
<b>OBLIGATED BALANCE, START OF YEAR (NET)</b>	<b>180,956</b>	<b>56,428</b>	<b>237,384</b>	<b>204,060</b>	<b>59,638</b>	<b>263,698</b>
<b>OBLIGATED BALANCE, END OF YEAR (NET)</b>	<b>\$ 151,767</b>	<b>\$ 39,313</b>	<b>\$ 191,080</b>	<b>\$ 180,956</b>	<b>\$ 56,428</b>	<b>\$ 237,384</b>

<b>Budget Authority and Outlays, Net:</b>						
Budget authority, gross (discretionary and mandatory)	\$ 559,282	\$ 156,285	\$ 715,567	\$ 588,992	\$ 160,591	\$ 749,583
Actual offsetting collections (discretionary and mandatory) (-)	(1,788)	(130,490)	(132,278)	(1,277)	(136,489)	(137,766)
Change in uncollected customer payments from federal sources (discretionary and mandatory) (+ or -)	389	(10,958)	(10,569)	(371)	(5,383)	(5,754)

(in thousands)

	FY 2013			FY 2012		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<b>Budget authority, net (discretionary and mandatory):</b>	\$ 557,883	\$ 14,837	\$ 572,720	\$ 587,344	\$ 18,719	\$ 606,063
Outlays, gross (discretionary and mandatory)	\$ 584,847	\$ 169,554	\$ 754,401	\$ 614,706	\$ 158,921	\$ 773,627
Actual offsetting collections (discretionary and mandatory) (-)	(1,788)	(130,490)	(132,278)	(1,277)	(136,489)	(137,766)
<b>Outlays, net (discretionary and mandatory)</b>	<b>583,059</b>	<b>39,064</b>	<b>622,123</b>	<b>613,429</b>	<b>22,432</b>	<b>635,861</b>
Distributed offsetting receipts (-)	0	(479)	(479)	0	(326)	(326)
<b>AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)</b>	<b>\$ 583,059</b>	<b>\$ 38,585</b>	<b>\$ 621,644</b>	<b>\$ 613,429</b>	<b>\$ 22,106</b>	<b>\$ 635,535</b>

A. For TFB funds, approximately \$9.9 and \$10.9 million of unobligated authority for fiscal years 2013 and 2012, respectively, at the donor's request, is restricted from being spent on program costs (income from investing restricted donations under the Library's Total Return Policy can be spent on program costs). These amounts are invested either in the permanent loan or in Treasury securities. An additional \$53.4 and \$53.1 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2013 and 2012, respectively.

B. Obligated undelivered orders, end of period:

(in thousands)

	FY 2013	FY 2012
Paid	\$ 374	\$ 253
Unpaid	164,318	174,840
<b>TOTAL UNDELIVERED ORDERS, END OF PERIOD</b>	<b>\$ 164,692</b>	<b>\$ 175,093</b>

C. Obligations incurred – Amounts Exempt from Apportionment:

(in thousands)

	FY 2013	FY 2012
Direct – Appropriated	\$ 569,422	\$ 596,802
Direct – Non Appropriated	31,849	21,419
subtotal Direct obligations incurred	601,271	618,221
Reimbursable – Non Appropriated	143,156	151,184
<b>TOTAL OBLIGATIONS INCURRED</b>	<b>\$ 744,427</b>	<b>\$ 769,405</b>

**NOTE 19****RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET**

	(in thousands)	
	FY 2013	FY 2012
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 744,427	\$ 769,405
Less: Spending Authority from Offsetting Collections and Recoveries	(168,608)	(159,858)
Obligations, Net of Offsetting Collections and Recoveries	575,819	609,547
Less: Distributed Offsetting Receipts	(479)	(326)
Net Obligations	575,340	609,221
Other Resources:		
Donations of Property and Services	341	27,186
Imputed Financing from Costs Absorbed by Others	91,046	102,121
Exchange Revenue not in the Budget	(6)	(147)
Trust/Special Fund Exchange Revenue Receipts	(5,647)	(5,634)
Other Resources (+/-)	10,465	12,147
<b>TOTAL RESOURCES USED TO FINANCE ACTIVITIES</b>	<b>\$ 671,539</b>	<b>\$ 744,894</b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS</b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided (+/-)	\$ 17,935	\$ 24,225
Resources that Fund Expenses Recognized in Prior Period	(39)	(1,130)
Resources that Finance the Acquisition of Assets	(25,185)	(12,188)
Budgetary Offsetting Receipts that do not Affect Net Cost of Operations	479	326
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(2,195)	(2,315)
<b>TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>	<b>(9,005)</b>	<b>8,918</b>
<b>TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS</b>	<b>\$ 662,534</b>	<b>\$ 753,812</b>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability and Actuarial Liability	\$ 1,893	\$ 442
<b>Total Components Requiring or Generating Resources in Future Periods</b>	<b>1,893</b>	<b>442</b>
Components not Requiring or Generating Resources:		
Depreciation and Amortization	13,711	17,903
Revaluation of Assets or Liabilities	(10,469)	(9,855)
Other Costs not Requiring or Generating Budgetary Resources (+/-)	53	12
<b>TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES</b>	<b>3,295</b>	<b>8,060</b>
<b>TOTAL COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>	<b>5,188</b>	<b>8,502</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 667,722</b>	<b>\$ 762,314</b>

<b>NOTE 20</b>	<b>Fiduciary Activity and Net Assets</b>
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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." Beginning in fiscal 2011, 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 2013 and 2012 range from October 17, 2013 to August 31, 2014 and October 25, 2012 to August 31, 2013, respectively and interest rates for fiscal years 2013 and 2012 range from .0015% to .250% and from 0.125% to 0.750% respectively.

Fiduciary Activity consists of the following:

	(in thousands)	
	FY 2013	FY 2012
<b>Beginning Fiduciary Net Assets</b>	\$ 848,240	\$ 1,378,462
Licensing Fees	315,373	311,371
Investment Earnings	781	(458)
<b>Total Net Inflows to Fiduciary Net Assets</b>	<b>316,154</b>	<b>310,913</b>
Payments to Copyright Owners	(324,432)	(835,394)
Refunds of Licensing Fees	(1,009)	(754)
Retained by Copyright Licensing for Administrative Costs	(4,761)	(4,987)
<b>Total Outflows from Fiduciary Net Assets</b>	<b>(330,202)</b>	<b>(841,135)</b>
<b>Subtotal Net Fiduciary Activity</b>	<b>(14,048)</b>	<b>(530,222)</b>
<b>ENDING FIDUCIARY NET ASSETS</b>	<b>\$ 834,192</b>	<b>\$ 848,240</b>

Net Fiduciary Assets consist of the following:

	(in thousands)	
	FY 2013	FY 2012
<b>Fiduciary Assets</b>		
Fiduciary Fund Balance with Treasury	\$ 213	\$ 40
Investments in U.S. Treasury Securities	833,929	848,159
Accrued interest from U.S. Treasury Securities	50	41
<b>TOTAL FIDUCIARY NET ASSETS</b>	<b>\$ 834,192</b>	<b>\$ 848,240</b>

<b>NOTE 21</b>	<b>Incidental Custodial Collections</b>
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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 2013	FY 2012
<b>Miscellaneous Cash Collections:</b>		
Unclaimed Money, Collections of Receivables from Cancelled Accounts and General Fund Proprietary Receipts, Not Otherwise Classified:	\$ 867	\$ 295
<b>Total Net Custodial Collections</b>	<b>867</b>	<b>295</b>
Transferred to the General Fund of the Treasury	(867)	(295)
<b>Total Net Custodial Outflows</b>	<b>(867)</b>	<b>(295)</b>
<b>NET CUSTODIAL ACTIVITY</b>	<b>\$ 0</b>	<b>\$ 0</b>

# THE LIBRARY OF CONGRESS

## Management Report

Fiscal Year Ended September 30, 2013

### Assessment of Condition of Heritage Assets

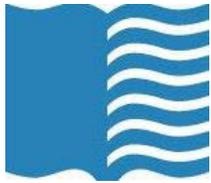
The Library has the largest collection in the world, including materials in over 470 languages and various media. Providing access to this collection inevitably puts it at risk and could impair the Library's ability to serve the Congress and other users in the future. However, the collection exists to 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, 2013, the collection was determined to be in a useable condition for fulfilling the Library's service mission. During fiscal 2013, 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 31, 2014

**FROM:** Kurt W. Hyde   
Acting Inspector General

**SUBJECT:** Results of the Library of Congress FY 2013 Financial Statements Audit

The attached report presents the results of the annual audit of the Library of Congress financial statements for fiscal years (FY) 2013 and 2012.

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 eighteenth consecutive year, we are pleased to report that the auditors issued an unmodified opinion (formerly called an unqualified or 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.<sup>1</sup>

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<sup>1</sup> 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, or compliance with laws and regulations. CLA is responsible for the attached auditor's report dated March 14, 2014 and the conclusions expressed in the report.<sup>2</sup> 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 Financial Officer

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<sup>2</sup> 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 28, 2014.

## INDEPENDENT AUDITORS' REPORT

Inspector General  
Library of Congress

Librarian of Congress  
Library of Congress

In our audits of the fiscal years (FY) 2013 and 2012 financial statements of the Library of Congress (the Library), we found:

- The financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S.);
- No material weaknesses in internal control over financial reporting; and
- No instances of reportable noncompliance with certain provisions of applicable laws, regulations, contracts and grants tested.

The following sections discuss in more detail: (1) these conclusions, (2) Management's Discussion and Analysis (MD&A) and other required supplementary information (RSI), included with the financial statements, (3) management's responsibilities, (4) our responsibilities, and (5) the current status of prior year findings.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Library, which comprise the balance sheets as of September 30, 2013 and 2012, 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. The objective of our audits was to express an opinion on the fairness of these financial statements.

### ***Management's Responsibility for the Financial Statements***

The Library's management is responsible for the (1) preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the U.S. and (2) design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## INDEPENDENT AUDITORS' REPORT (Continued)

### ***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.; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We also conducted our audits in accordance with Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02).

In order to fulfill these responsibilities, we (1) obtained an understanding of the Library and its operations, including its internal control over financial reporting; (2) assessed the risk of financial statement misstatement; (3) evaluated the design and operating effectiveness of internal control based on the assessed risk; (4) tested compliance with certain provisions of laws, regulations, contracts and grants, as applicable; (5) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (6) evaluated the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management; (7) evaluated the overall presentation of the financial statements; (8) conducted inquiries of management about the methods of preparing the RSI and compared this information for consistency with management's responses to the auditors' inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from Federal Accounting Standards Advisory Board (FASAB) guidelines, if any, identified by these limited procedures; (9) performed such other procedures as we considered necessary in the circumstances.

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

### ***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 as of September 30, 2013 and 2012, 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. require that the Library's MD&A and other RSI (including stewardship information) on pages 1 through 26 and 63, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board, 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.

## INDEPENDENT AUDITORS' REPORT (Continued)

### **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.

#### ***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 and regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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. 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*, issued by the Comptroller General of the United States or OMB Bulletin 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) ensuring compliance with applicable laws, regulations, contracts and grant agreements.

## INDEPENDENT AUDITORS' REPORT (Continued)

### ***Auditors' Responsibilities***

We are responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting to plan the audit, (2) testing compliance with certain provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the financial statements and applicable laws for which OMB Bulletin 14-02 requires testing, and (3) applying certain limited procedures with respect to the RSI included with the financial statements.

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 and regulations 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 financial statements and those required by OMB Bulletin 14-02 that we deemed applicable to the Library's financial statements for the FY ended September 30, 2013. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

### ***Status of Prior Year's Control Deficiencies***

We have reviewed the status of the Library's corrective actions with respect to the findings included in the prior year's Independent Auditors' Report, dated March 8, 2013. The status of prior year findings is presented in Exhibit A.

### ***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.



Calverton, Maryland  
March 14, 2014

**EXHIBIT A**  
**Status of Prior Year Recommendations**

Our assessment of the current status of the recommendations related to findings identified in the prior year audit is presented below:

<i><b>FY 2012 Recommendation</b></i>	<i><b>Type</b></i>	<i><b>FY 2013 Status</b></i>
1a. Improvement over Internal Controls needed in Procurement and Contracting Function within the Library	Significant Deficiency 2012	Closed