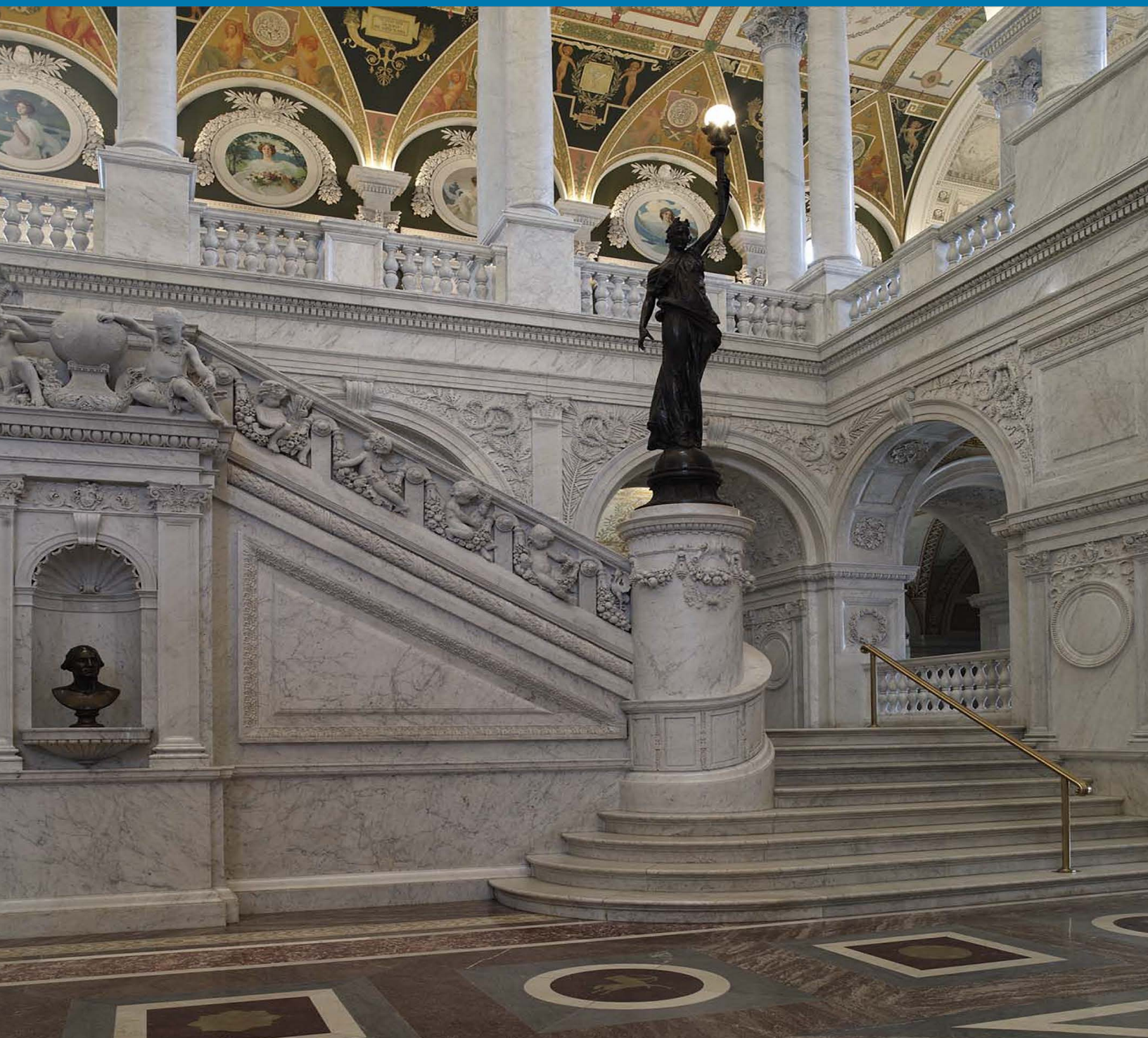




LIBRARY OF  
CONGRESS



# FINANCIAL STATEMENTS

FISCAL YEAR 2016

MARCH 2017

Great Hall. View of grand staircase and bronze statue of female figure on newel post holding a torch of electric light.  
Library of Congress Thomas Jefferson Building, Washington, D.C. photo by Carol Highsmith



## 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 2016 financial statements and accompanying opinion of the independent auditors, Kearney & Company. For the twenty-first consecutive year, the independent auditors have issued an unmodified (clean) opinion on the Library's consolidated financial statements.

The net cost of the Library's five major programs total \$697.4 million including \$99.7 million in costs incurred by five other agencies (i.e. Architect of the Capitol, Government Printing Office, United States Capitol Police, United States Treasury, and the Office of Personnel Management) in support of the Library's programs. The net cost also includes \$116.2 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 2016 financial statements and auditors' opinion.

Sincerely,

A handwritten signature in black ink, reading "Carla D. Hayden".

Carla D. Hayden  
Librarian of Congress

**THE LIBRARY OF CONGRESS**  
**Financial Statements for Fiscal 2016**

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# **THE LIBRARY OF CONGRESS**

## **Management's Discussion and Analysis**

Fiscal Year Ended September 30, 2016

### **Introduction**

The Management's Discussion and Analysis 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 2016.

### **The Library of Congress and Its Mission**

The Library of Congress, an agency in the legislative branch of the federal government, is the world's largest and most comprehensive library, managing 91 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 central mission is to provide Congress, and then the federal government, and the American people with a rich, diverse, and enduring source of knowledge that can be relied upon to inform, inspire, and engage them, and support their intellectual and creative endeavors.

### **Strategic Plan**

The Library's 2016-2020 strategic plan established seven broad management strategies:

- Deliver authoritative, authentic, and nonpartisan research, analysis and information, first and foremost, to the Congress, to the federal government, and to the American people.
- Acquire, describe, preserve, secure, and provide access to a universal collection of knowledge, and the record of America's creativity.
- Work with the U.S. Copyright Office to develop modernized copyrights systems and practices, in accordance with copyright laws and public objectives.
- Stimulate and support research, innovation, and life-long learning through direct outreach and through national and global collaborations.
- Empower the workforce for maximum performance.
- Deploy a dynamic, state-of-the-industry technology infrastructure that follows best practices and standards.
- Organize and manage the Library to facilitate change and adopt new methods to fulfill its mission.

Drafted in early fiscal 2016, this strategic plan was created as a "living" plan, open, agile and flexible, intended to guide the Library during a time of leadership transition. The plan's strategies are supported by broad outcomes that communicate the Library's desired level of success. The Library established accountability at the service unit level through operational plans. Each operational plan included annual performance goals and targets for assessing progress toward achieving the outcomes.

Supported by regular program performance assessment reviews, the strategic plan ensures all Library organizations are working toward common ends, charts a course for achieving measurable results and documents its accountability to the American people and their elected representatives.

### **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 her September 2016 swearing-in speech, Librarian of Congress Carla Hayden said, “This Library of Congress, a historic reference source for Congress, an established place for scholars, can also be a place where we grow scholars, where we inspire young authors, where we connect with those individuals outside the limits of Washington and help them make history themselves.”

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.”

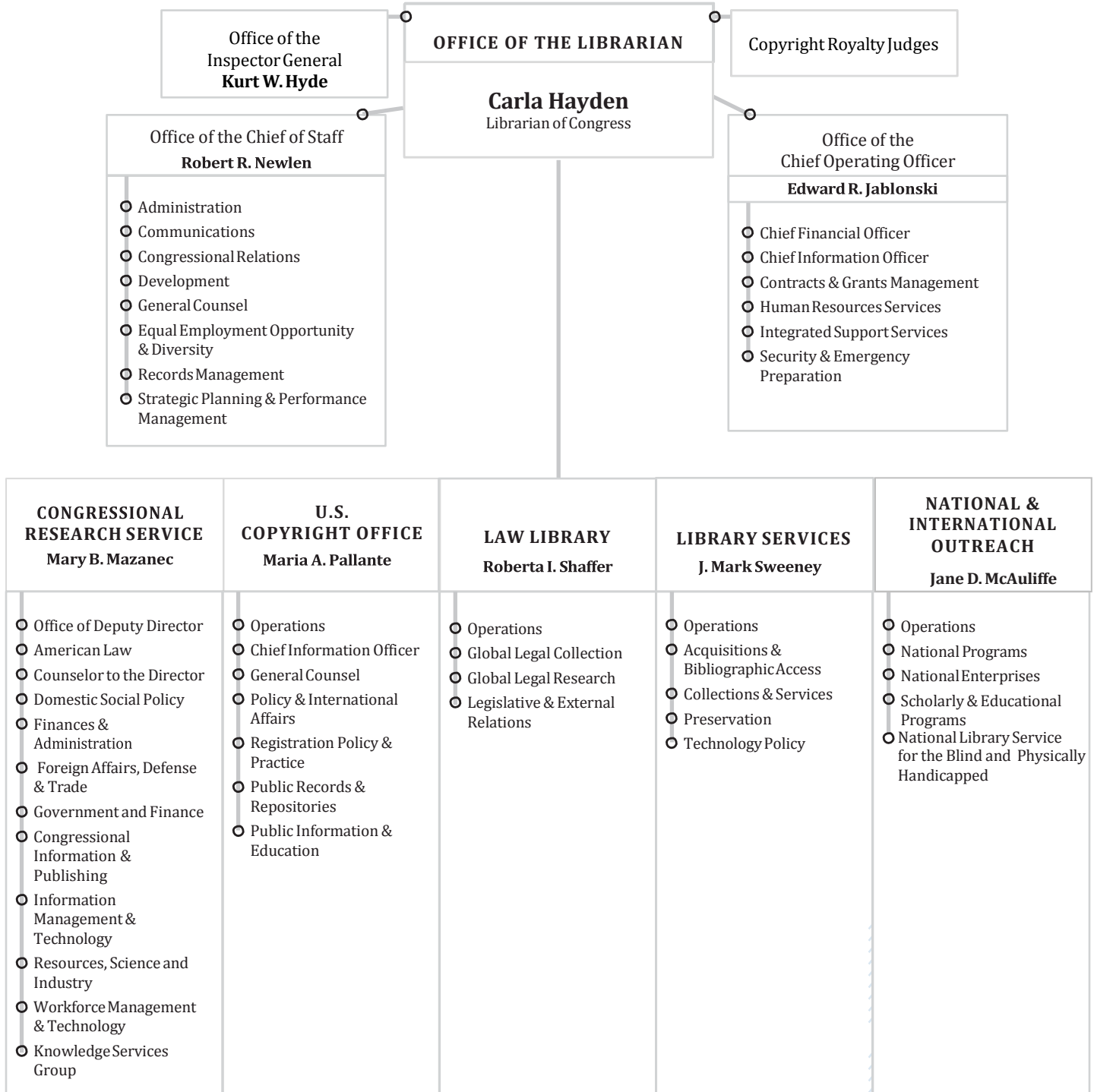
Through its strategic plan, the Library of Congress is accountable to the American people and their elected representatives, and measured by the results that are achieved. We seek to be ardent champions furthering the cause of human understanding and wisdom.

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 Library ensures that its information is universally accessible through its premier websites—[www.loc.gov](http://www.loc.gov), [www.congress.gov](http://www.congress.gov), and [www.copyright.gov](http://www.copyright.gov).

The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. Five 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 appropriations, 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 2016 and 2015, 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, 2016 and 2015. 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 2016	FY 2015
Entity Assets	\$ 551.5	\$ 528.0
<b>Total Assets</b>	<b>\$ 551.5</b>	<b>\$ 528.0</b>
Liabilities and Net Position	FY 2016	FY 2015
Liabilities Covered by Budgetary Resources	\$ 117.9	\$ 110.4
Liabilities Not Covered by Budgetary Resources	\$ 34.8	35.0
<b>Total Liabilities</b>	<b>\$ 152.7</b>	<b>\$ 145.4</b>
Net Position	\$ 398.8	\$ 382.6
<b>Total Liabilities and Net Position</b>	<b>\$ 551.5</b>	<b>\$ 528.0</b>

The Library's assets total \$551.5 million for fiscal 2016 and \$528.0 million for fiscal 2015. Entity assets increased by \$23.5 million during fiscal 2016. The change is primarily due to an increase in revolving and reimbursable funds' Fund Balance with Treasury, partially a result of their ongoing emphasis on collection of receivables over the past few years. The Library's liabilities total \$152.7 million and \$145.4 million for fiscal years 2016 and 2015, 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 accordance with generally accepted accounting principles for federal government entities, the value of the Library's collections is not calculated and reported with a monetary value. Instead, the Library reports unit measurement, mission, and acquisition information in the financial statement notes and provides other relevant information about their use, preservation, security, etc., in supplemental information.

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 programs for the fiscal years ended September 30, 2016 and 2015. In other words, the statements present the net costs of our programs: \$697.4 million and \$673.5 million for the fiscal years 2016 and 2015, respectively. Net costs increased by \$23.9 million during fiscal 2016. Net costs include allocated management support costs and revenues (e.g., human resources, financial services, facility services).

Effective October 1, 2015, the Library of Congress underwent a realignment of operations to support its institutional vision and strategic plan. The realignment was designed to strengthen information-technology functions at the Library, elevate outreach efforts, consolidate management of digital and analog collections and provide an improved support structure for staff. Within these financial statements, the realignment can be seen in the reporting of operations in the Statement of Net Cost.

As part of the realignment, the National and International Outreach service unit (NIO) was established. The new NIO service unit brings together some programs that were previously reported on the Statement of Net Cost in Library Services, National Library Service for the Blind and Physically Handicapped, and Revolving and Reimbursable Programs.

**Library Services** – With net program costs of \$364.2 million and \$395.0 million for fiscal years 2016 and 2015, respectively, Library Services is the Library's largest program and is responsible for the traditional library activities of acquisitions, cataloging, research and reference, and preservation. Also, under the authority of 2 U.S.C. §182, the Library operates the Cooperative Acquisitions Program revolving fund and the revolving fund for duplication services associated with the Packard Campus for Audio-Visual Conservation.

Library Services manages the following functions and services:

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

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

**Research and Reference** – The Library makes available to scholars and other researchers vast information resources, many of which are unique, covering almost all formats, subjects, and languages. The Library provides reference assistance to researchers and the general public, conducts field research, and promotes the preservation of American culture throughout the United States. The Library responds to over 372,000 information requests a year from across the nation, including nearly 217,000 in person in the research centers open to the public in Washington, D.C. In addition, the Library responds to approximately 43,000 free interlibrary loan requests from across the nation and nearly 20,000 requests for book loans from the Congress each year. The Library issued nearly 42,000 Reader Cards.

**Online Access Services** – The Library provides free online access to some of its collections and to its automated information files in the Library of Congress Online Public Access Catalog (<http://catalog.loc.gov>).

**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** – The Library promotes books, reading, and literacy through 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 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.

**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.

**National and International Outreach** – National and International Outreach (NIO) combines many of the public-facing programs and activities that highlight the Library's unique role as a national cultural institution and a major asset for the lifelong learning of America's citizens. The goal of NIO is to increase collaboration among Library programs and their staffs, to foster partnerships with other prominent cultural and academic institutions, and to make the Library's unique resources of greater benefit to Congress, the American people and the world.

Specifically, NIO includes the Kluge Center and Office of Scholarly Programs; the National Library Service for the Blind and Physically Handicapped; the Center for the Book and its Poetry and Literature Center and Young Readers Center; national digital initiatives; the Federal Research Division; FEDLINK; the World Digital Library; the Publishing Office; the Business Enterprises division; the Interpretive Programs Office, the Educational Outreach/Teaching with Primary Sources staff; the Visitor Services Office; the Special Events staff; and intern and fellowship programs. Also under NIO are several of the Library's most prominent public programs: the National Book Festival; Gershwin Prize for Popular Song; and the national boards and registries for film and recorded sound. General descriptions of the National Library Service for the Blind and Physically Handicapped and major revolving fund activities are:

**National Library Service for the Blind and Physically Handicapped** – The National Library Service for the Blind and Physically Handicapped manages a national reading program for blind and physically handicapped people – circulating approximately 21.2 million items a year at no cost to users. This program consists of three elements:

1. The Library of Congress selects, produces, and contracts for the production of full-length books and magazines in Braille, downloadable digital and digital cartridges, and playback machines.
2. A cooperating network of 55 regional libraries, 31 subregional libraries, and 14 advisory and outreach centers distribute the machines and library materials provided by the Library of Congress.
3. The U.S. Postal Service receives an appropriation to support postage-free mail for magazines, books, and machines, which are sent directly to readers. The number of reader accounts for these reading materials (books and magazines) and playback machines totals 791,908.

**Revolving Funds** – Under the authority of 2 U.S.C. §182, the Library operates revolving funds for the gift shop, document reproduction and microfilm services, 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 reader and reference services and support for public programs.

General descriptions of major revolving fund activities are:

**Gift Shop, 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; 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.

**The FEDLINK program and the Federal Research program** – FEDLINK serves federal libraries and information centers as their purchasing, training, and resource-sharing consortium. The program provides cost-effective access to an array of automated information and retrieval, print serials, books, electronic publications, and preservation services. FEDLINK contracts with more than 125 major vendors resulting in cost avoidance benefits and vendor volume discounts for the federal libraries and information centers participating in the program. The Federal Research program, via the Library's Federal Research Division (FRD), 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 FRD product, available online via the Library's website, is the country study series.

**Law Library** – The Law Library of Congress, with net program costs of \$30.8 and \$26.5 million for fiscal years 2016 and 2015, 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.

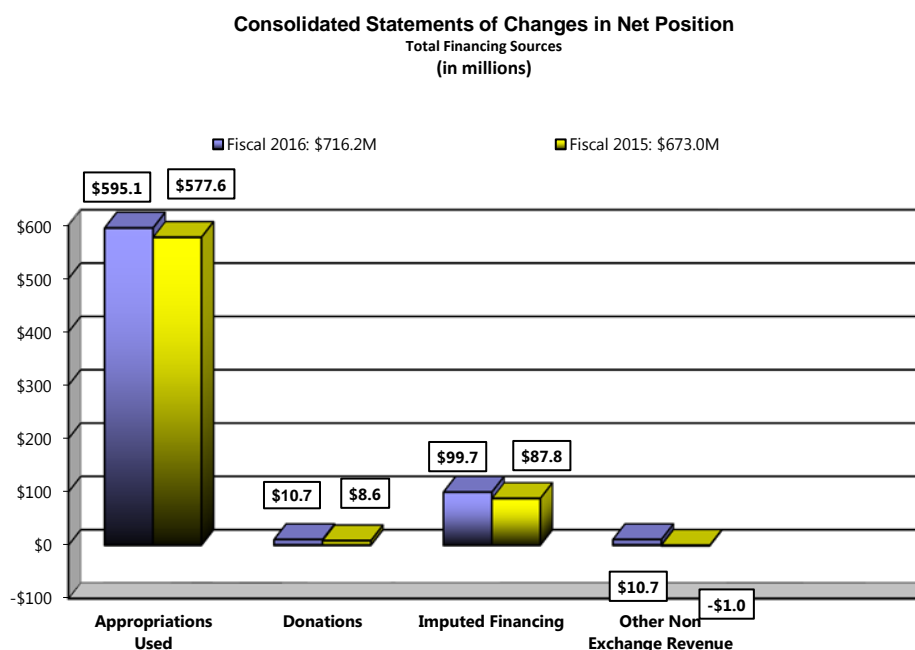
**Copyright Office (including the Copyright Royalty Board)** – The Copyright Office, with net program costs of \$38.9 million and \$32.0 million for fiscal years 2016 and 2015, respectively, administers the U.S. copyright registration system and related programs, assists with the administration of statutory 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 2016, the Copyright Office registered 414,269 claims to copyright; transferred or facilitated online access to 636,479 works to the Library; recorded 10,865 documents containing tens of thousands of titles; and responded to nearly 200,000 in-person, telephone and e-mail requests for information. Copies of works received through the copyright system form the core of the Library's immense Americana collections, which provide the primary record of American creativity. The registration program is substantially funded by fees paid by authors and other copyright owners. Similarly, costs of administering the licensing program are substantially funded through deductions from royalty receipts.

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

**Congressional Research Service** – The Congressional Research Service, with net program costs of \$146.4 and \$139.2 million for fiscal years 2016 and 2015, respectively, provides non-partisan analytical research and information services to all Members and committees of the Congress. The Congressional Research Service assists the Congress with its deliberations and legislative decisions by providing objective, authoritative, timely, and confidential research and analysis. Serving the Congress exclusively, Congressional Research Service experts work alongside the Congress at all stages of the legislative process and provide integrated and interdisciplinary analysis and insights in all areas of policy interest. Congressional Research Service support takes the form of reports, videos, short policy briefs, tailored confidential memoranda, individual consultations, and formal seminars.

### 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 \$716.2 million and \$673.0 for fiscal years ended September 30, 2016 and 2015, respectively.



The major source of the Library's funding is from congressional appropriations for programs: Library Services, Law Library, Copyright Office, Congressional Research Service, and National Library Service for the Blind and Physically Handicapped. Appropriations used during the fiscal years ended September 30, 2016 and 2015 totaled \$595.1 million and \$577.6 million or 83.1% and 85.8% of all financing for fiscal years 2016 and 2015, 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 Publishing 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 \$99.7 million and \$87.8 million (imputed financing) for fiscal years 2016 and 2015, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$66.8 million and \$56.1 million), employee benefits (\$30.2 million and \$29.4 million), acquisitions exchange services (\$0.9 million and \$0.8 million), collections security services (\$1.5 million and \$1.5 million), and legal services (\$0.2 million in 2016). Other non-exchange revenues are positive and negative for fiscal years 2016 and 2015, primarily due to the unrealized loss or gain on non-treasury investments.

### Combined Statements of Budgetary Resources

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



status of those resources at the end of the period. The remainder of the statement presents the information about obligations and outlays of the Library.

The Library's budgetary resources were \$857.2 million and \$850.9 million for the fiscal years ended September 30, 2016 and 2015, respectively, of which \$617.2 million and \$610.7 million were from appropriated funds and \$240.0 million and \$240.2 million were from non-appropriated funds for fiscal years ended September 30, 2016 and 2015, respectively. Total outlays of \$590.8 million and \$592.4 million were incurred with the outlays of appropriated funds (\$589.2 million and \$585.6 million) combined with outlays of the non-appropriated funds (\$1.6 million and \$6.8 million) in fiscal years 2016 and 2015.

### **Performance Targets and Accomplishments**

This section of the Library's 2016 *Financial Statements* presents those annual performance goals and related performance targets grouped by their respective connections to the Strategic Plan's seven strategies: (1) Deliver authoritative, authentic, and nonpartisan research, analysis and information, first and foremost, to the Congress, to the federal government, and to the American people; (2) Acquire, describe, preserve, secure, and provide access to a universal collection of knowledge, and the record of America's creativity; (3) Work with the U.S. Copyright Office to develop modernized copyrights systems and practices, in accordance with copyright laws and public objectives; (4) Stimulate and support research, innovation, and life-long learning through direct outreach and through national and global collaborations; (5) Empower the workforce for maximum performance; (6) Deploy a dynamic, state-of-the-industry technology infrastructure that follows best practices and standards; and (7) Organize and manage the Library to facilitate change and adopt new methods to fulfill its mission. As a general rule where there are multiple performance targets for a single annual objective, the accomplishment statements summarize the individual target results.

**Strategy #1:** Deliver authoritative, authentic, and nonpartisan research, analysis and information, first and foremost, to the Congress, to the federal government, and to the American people.

**Annual Performance Goal:** By the end of fiscal 2016, Congressional Research Service (CRS) is substantially prepared to host the New Members Seminar for the 115th Congress.

**Performance Target:** Support the Committee on House Administration's orientation program for new Members, including identifying preliminary topics and speakers, and planning the logistics for the New Members Seminar to be held at the start of the 115th Congress.

**Accomplishment:** As a result of meeting planning deadlines, CRS is prepared to host the 115th Congress New Member Seminar in cooperation with the Committee on House Administration. This means that newly-elected Members of Congress will receive high quality instruction on legislative and budget processes, as well as key issues they will likely face during their first six months as lawmakers, through carefully selected sessions and presenters.

**Annual Performance Goal:** Develop products that visualize information of interest to the Congress.

**Performance Target:** By the end of fiscal 2016, the Congressional Research Service (CRS) will publish geospatial products on an emergent Congressional Geospatial Hosting Environment (GIS) Portal that will enable improved analysis and understanding of policy issues.

**Accomplishment:** The successful publishing of products to the emergent Congressional GIS Portal is a critical step towards serving interactive geospatial products to Congress. The processes of developing, reviewing and publishing interactive maps were captured in best practices and, from the lessons learned, it is expected that future products will have a shorter publishing cycle, and that modifications will have to be made to the portal infrastructure to accommodate specific requirements of Congressional clients.

**Annual Performance Goal:** Complete required documentation for the acquisition of an automated content and/or workflow management system (LLAWS).

**Performance Target:** Develop, staff and submit requests to fund and procure an automated content and/or workflow management system (LLAWS) by end of fiscal year.

**Accomplishment:** In fiscal 2016, the Law Library successfully identified requirements for automating the workflow processes and a systems approach to managing the document history of Law Library research and reference products. Additionally, the Law Library conducted market research of commercial off-the-shelf software to meet this need and developed a cost estimate, statement of work, and market research report. The Law Library will pursue funding and contractual action during fiscal 2017.

**Annual Performance Goal:** Design and implement a series of presentations using a variety of media for congressional, governmental and academic audiences.

**Performance Target:** Law Library constituents have expanded opportunities for learning and training by end of fiscal year.

**Accomplishment:** In fiscal 2016, the Global Legal Research Directorate has provided expertise and instruction on new topics and to new audiences, significantly increasing audience understanding of foreign, comparative and U.S. Law. A new Congressional Legal Instructional Program class was developed -- "Tracing Federal Regulations" -- and a series of comparative law seminars was held for the staff of the Capitol Visitors Center, strengthening the relationship with our Capitol Hill partner.

**Annual Performance Goal:** Evaluate the results of the program and design and implement additional methods to build awareness of Law Library products and services, as well as identifying more agencies for potential service arrangements.

**Performance Target:** Develop communications with 6 new federal executive agencies.

**Accomplishment:** Global Legal Research Center's director and managers regularly analyzed and evaluated efforts aimed at approaching executive agencies and met with officials and librarians of federal executive agencies providing information on Law Library of Congress services and products. The Library expanded its services to new agencies and expects to continue these efforts in fiscal 2017.

**Annual Performance Goal:** Law Library's research, analysis, and information products and services for Congress are customized based on results of feedback.

**Performance Target:** Implement, evaluate and leverage results of feedback mechanism to improve quality of Law Library products and services for Congress.

**Accomplishment:** The feedback mechanism implemented in fiscal 2016 proved to be helpful in improving quality of Law Library services and products. Evaluation of feedback received allowed Global Legal Research Directorate management to achieve 100% customization of Law Library of Congress services and products for Congress.

**Annual Performance Goal:** Strengthen relationships between Library leadership and key Members of Congress.

**Performance Target:** Proactively identify and facilitate opportunities for the Acting Librarian of Congress to engage with key Members of Congress.

**Accomplishment:** Because of the uncertainty surrounding the nomination and confirmation of a new Librarian it was inadvisable to continue pursuing some of the goals as stated. These factors were not known when the original fiscal 2016 milestones were formulated.

A new goal was developed to facilitate and coordinate Dr. Carla Hayden's confirmation. This work included coordinating numerous meetings with Senate leadership and Rules and Administration Committee members prior to and after Dr. Hayden's confirmation hearing, responding to inquiries from the Committee, working with the White House, and preparing Dr. Hayden for the confirmation hearing. Due in large part to the work of the Congressional Relations Office (CRO) Dr. Hayden was overwhelmingly confirmed by the Senate for a 10-year term, providing stability, continuity, and leadership for the entire institution. Additionally, before and after the September swearing-in, CRO coordinated numerous courtesy meetings to introduce Dr. Hayden to key House members. This work also involved preparing Dr. Hayden for these meetings. As a result, our new Librarian is building relationships with Congress, creating a firm and positive foundation on which to build upon in the coming years.

**Annual Performance Goal:** Establish and maintain effective working relationships with Members of Congress.

**Performance Target:** Establish baseline of Member and committee staff satisfaction and engagement with existing Congressional Relations Office (CRO) services and products.

**Accomplishment:** CRO feels it was very worthwhile to participate in the Library's Gallup survey of Congressional Members and staff.

Learning from survey data that Members and congressional staff would like to receive Library information more targeted to their job responsibilities, CRO will be reorienting the Library services information it distributes toward specific job responsibilities in

congressional offices. Going forward our outreach will be planned with this focus, beginning with visits to new Member offices in the next Congress with an updated Library of Congress Guide to Resources and Services Card.

**Annual Performance Goal:** Advise and assist congressional oversight committees regarding legislative proposals to clarify and update statutory authority governing programs at the Library.

**Performance Target:** Provide expert advice and assistance to congressional oversight committees in their consideration of action on the Library's legislative proposals during the 114th Congress.

**Accomplishment:** CRO worked closely with congressional oversight committees to advance the Library's legislative initiatives. Due to legislative activity this Congress, the Library can continue their work running the film and sound recording programs and foundations in support of Motion Picture, Broadcasting & Recorded Sound's collections, conservation, and preservation work. The National Library Service for the Blind and Physically Handicapped can now move forward on their goal to expand Braille services to blind patrons.

**Annual Performance Goal:** By the end of fiscal 2016, Congress.gov will be positioned to become the sole official legislative information system for all Members and congressional staff by the end of the first session of the 115th Congress.

**Performance Target:** By the end of fiscal 2016, retire THOMAS and finalize the fiscal 2017 development and outreach plan to enable full congressional adoption of Congress.gov.

**Accomplishment:** While Congress.gov continues to be enhanced in order to completely replace and retire Legislative Information Service (LIS) as soon as is possible, the retirement of THOMAS has reduced the security risks associated with sustaining the LIS. A transition gap analysis provided a consolidated and coordinated understanding of what needs to occur before LIS can be retired, and the outreach plan will ensure that the analysis is complete.

**Annual Performance Goal:** Assess whether "the products and services being provided are meeting the expectations of [Congress]." [H.Rpt.114-110, p. 15]

**Performance Target:** As directed by Congress, "commission an independent survey of all Members and committees of the [House and Senate] to ascertain their fundamental and optimal requirements for services and support from the Library of Congress and especially the Congressional Research Service." [H.Rpt.114-110, p. 15]

**Accomplishment:** The project provided a rare opportunity to systematically survey congressional clients about a range of issues that are strategically important to the participating service units. The survey yielded responses from more than 1,300 staff and 63 Members. The contractor provided a robust analysis of the results and presented the results to senior leadership. The Library delivered the report to the requesting committee, fulfilling an obligation outlined in report language. The report serves as a resource for the participating service units to draw upon as they work to optimize the delivery of services to an evolving Congress during a time of constrained resources.

**Annual Performance Goal:** By the end of fiscal 2016, begin enhancing the content, organization, and presentation of The Constitution of the United States of America: Analysis and Interpretation, a Senate document available to Congress and the public.

**Performance Target:** By the end of fiscal 2016, complete the strategic vision and initiate the revision for The Constitution of the United States of America: Analysis and Interpretation (CONAN), a Senate document.

**Accomplishment:** This year's work provided a strong foundation not only for the multi-year effort ahead to revise all of the existing CONAN content (over 2500 pages of Constitution-related content), but also facilitated the initiation of the technology work that will be required for the design, development, and future implementation of a new CONAN website. The work products completed this year, including a strategic vision, mandatory and desired requirements, and a detailed and inter-connected content outline that includes introductory materials, each of the Constitution's Articles and Amendments, and appendices, positioned the Congressional Research Service (CRS) constitutional attorneys to continue to plan for and integrate the component pieces of the revision of CONAN into the daily CRS operations in support of Congress. It also better enabled (and enables) CRS constitutional attorneys to more effectively and efficiently collaborate with the Library's technology resources in moving forward with the continued design and development of a new CONAN website.

**Strategy #2:** Acquire, describe, preserve, secure, and provide access to a universal collection of knowledge, and the record of America's creativity.

**Annual Performance Goal:** Strengthen digital lifecycle management capacities to support increasing demands for digitized and born digital collections content.

**Performance Target:** The Technology Policy directorate will establish an operational unit to support lifecycle management of digital content.

**Accomplishment:** The Acting Librarian approved the Technology Policy reorganization that created the Digital Collections Management and Services Division, and the reorganization was officially implemented June 12, 2016. The Division will provide support to curatorial divisions in a variety of lifecycle management activities and manage digital collections not otherwise under curatorial control.

**Annual Performance Goal:** Create, maintain and implement collections development standards, policies and practices to improve the Library's collections for current and future users.

**Performance Target:** Remove 90,000 additional service copies from the Library's collections in order to partially address the problem of overcrowded book stacks.

**Accomplishment:** 100,369 additional service copies of books were removed from the collections in fiscal 2016, making approximately 10,369 linear feet (or 1.96 miles) of shelf space available in the crowded stacks for new collection items.

**Annual Performance Goal:** Create, maintain and implement collections development standards, policies and practices to improve the Library's collections for current and future users.

**Performance Target:** Complete eight (8) high-priority policy reviews through an ongoing program to revise the Library's Collections Policy Statements (CPS) on a cyclical basis.

**Accomplishment:** The formal review and updating process was completed for nine (9) documents. The ongoing review and updating of the CPS ensures that the Library's analog and digital collections will continue to reflect the breadth and depth of knowledge published in all media, languages, and regions of the world and that collecting policies align with the Library's strategic plan and direction.

**Annual Performance Goal:** Grow the congressionally mandated Veterans History Project (VHP) collection in order to better document this target community.

**Performance Target:** VHP will acquire and perform preliminary processing on 4,000 collections.

**Accomplishment:** VHP acquired and preliminarily processed 4,909 collections. VHP received interviews and related materials from participants nationwide—from individual volunteers, as well as from a variety of organizations and institutions. While the number of collections received each year cannot be predicted with absolute accuracy, the collections represent diversity in veterans' experiences, ethnicity and service. The collections add to a VHP archive that is consistently accessed by researchers, educators and the general public. To help assure a steady flow of interviews, VHP will continue its outreach through conventional and social media, presentations, conference attendance, workshops, one-on-one meetings, and public events.

**Annual Performance Goal:** Acquire maximum number of desired collection items within budgetary constraints by using all methods of acquisition.

**Performance Target:** The Library has gained 630,000 collection items by purchase.

**Accomplishment:** The Library acquired 667,923 collections items by purchase. These purchases improved the collections with desired materials in all formats, languages, and subjects in scope for the Library.

**Annual Performance Goal:** Expand participation in cataloging in advance of publication.

**Performance Target:** The Electronic Cataloging in Publication (ECIP) E-book Program supports the Library's efforts to add more digital content for current U.S. publications, by preparing cataloging in advance of publication for 5,000 e-books, representing approximately 10% of all ECIP records created annually.

**Accomplishment:** The ECIP E-book Program has supported the Library's efforts to add more digital content for current U.S. publications, by preparing cataloging in advance of publication for 12,062 e-books. Total production of cataloging for e-books exceeded the target by more than 140% because of the close cooperation between ECIP program staff and the 746 participating publishers.

**Annual Performance Goal:** Expand the use of Geographic Information Systems (GIS) to support timely access to cartographic information and collections.

**Performance Target:** Use GIS data to index 100,000 maps.

**Accomplishment:** Geography & Map Division staff completely processed 61,000 maps (scanned, georeferenced and indexed). The goal of 100,000 maps processed, however, was not reached due to delays in finding temporary staff and technical workflow issues. At the beginning of the project there was a four-month delay in hiring the team's two technicians, and throughout the project there have been issues associated with a lack of both delivery and storage space. There has been some resolution of the issue of the storage space, but delivery space remains a challenge. The division will continue to work toward completion of the task and efficient workflow models for future endeavors.

**Annual Performance Goal:** Increase the Library's collection storage capacity by opening a new temporary storage facility.

**Performance Target:** Open a fully operational Cabin Branch collection storage facility to increase the percentage of collections kept in improved storage conditions and provide staging location for collections destined for future Ft. Meade modules.

**Accomplishment:** Construction is finished, shelving is installed, and the Conditional Occupancy certificate has been issued. The first shipment of unprocessed collections was loaded into the space.

**Annual Performance Goal:** Counteract the natural degradation of the collections by studying collection materials and the forces that act upon them, and undertaking appropriate preservation actions that extend their life and usefulness of their content.

**Performance Target:** 7,000,000 preservation actions completed to extend the life and usefulness of collection materials.

**Accomplishment:** A total of 9,714,839 preservation actions, or over 138% of the targeted number, were completed to extend the life and usefulness of collection materials. By treating collection materials, the Library can address and mitigate damage and deterioration, contributing to long term preservation and usefulness of collection materials for users.

**Annual Performance Goal:** Respond to inherent degradation and other agents of deterioration by studying collection materials and undertaking a comprehensive range of preservation actions that extend their life and the usefulness of their content.

**Performance Target:** 12,000 quality assurance testing and research analyses completed to better understand the composition of collection items and materials that come into contact with them.

**Accomplishment:** A total of 12,771 quality assurance testing and research analysis activities were completed, exceeding the set target. By performing this work on collection materials, the Library can address and mitigate damage and deterioration, contributing to long term preservation and usefulness of collection materials for users.



**Annual Performance Goal:** Increase online access to law collection materials via Law.gov.

**Performance Target 1:** Public access to at least one (1) existing digitized collection of law materials via Law.gov has been established by the end of the fiscal year.

**Accomplishment:** In fiscal 2016, the Law Library increased online access to law collection materials by making available all volumes of the Federal Register that were not previously available online to researchers for free. The collection starts with the first Federal Register volume in 1936 and contains all volumes through 1993 (more than 14,500 volumes). Volumes for 1994 through the present are already available online via the Government Publishing Office and the Office of the Federal Register. The Law Library website for the collection is <https://www.loc.gov/collections/federalregister/>.

**Performance Target 2:** Acquisition of resources for digitizing one (1) set of law collection materials has commenced by end of fiscal year.

**Accomplishment:** The Library of Congress Digital Library Content Group has committed resources to digitize the Hispanic Legal Materials Collection, in support of the Law Library's digitization plan that will increase online access to law collection material. The collection includes more than 2,500 documents, covenants of judicial contests between the people, the nobility, and the civil and religious institutions in Spain. Because these materials pertain to high-profile historical figures but comprise materials that are not currently available to the public, these materials will be of particular interest to scholars in the fields of history, historiography, and law, among other humanities. The rarity of these materials in combination with the prominence of the historical figures will yield opportunities to collaborate with outside communities. Among the various opportunities that may result are exhibitions, citizen description projects, collaborations with scholars and academic institutions, as well as collaborations with historical/cultural organizations—within the United States and abroad. These materials encompass materials from the late medieval Spanish period, the baroque/golden age, the colonial period and the independence of Hispanic America—all of which are areas of high interest and among the treasures of the Library of Congress's collection.

**Annual Performance Goal:** Increase the digital reformatting of audiovisual materials to support long term preservation of the collections.

**Performance Target:** The National Audio Visual Conservation Center (NAVCC) will produce 32,800 master files from reformatted audio and video materials.

**Accomplishment:** 35,450 master digital files were produced from reformatted audio and video materials and converted to digital format by the NAVCC, ensuring long term preservation of the Library's collections.

**Annual Performance Goal:** Produce bibliographic access tools including authorities and subject headings that support linked data.

**Performance Target:** Access to linked data is improved by creating 210,000 new authority and subject headings.

**Accomplishment:** A total of 290,021 new authority or subject headings were created in the Library of Congress Name Authority File and Library of Congress Subject Headings, exceeding the target by 38%. Library of Congress staff created 79,643 new authority or subject headings; Program for Cooperative Cataloging institutions contributed 210,378. This activity improves access to content through standardized search terms.

**Annual Performance Goal:** Produce bibliographic access tools including cataloging and finding aids.

**Performance Target:** Access is provided for 270,000 new Library collection items through catalog records.

**Accomplishment:** Access to collection materials has been expanded by cataloging 278,925 new works in Acquisitions & Bibliographic Access and Collections & Services (Music and Geography & Map divisions).

**Annual Performance Goal:** Promote a new bibliographic framework for the creation of metadata by the Library and external partners.

**Performance Target:** BIBFRAME (Bibliographic Framework initiative) advances to a more stable platform and broader application to facilitate use of library data in the linked data environment.

**Accomplishment:** BIBFRAME Vocabulary 2.0, a more stable version of BIBFRAME that was published in April, includes input from Program for Cooperative Cataloging members and Linked Data for Production initiative (Stanford, Columbia, Cornell, Harvard, and Princeton university libraries). BIBFRAME 2.0 is the basis for the second phase of the Library of Congress BIBFRAME production pilot to begin in October 2016. BIBFRAME application has been widened to include visual materials.

**Annual Performance Goal:** Improve the value and reach of the K Class system.

**Performance Target:** 20,000 volumes are classified from the obsolete K classification system by the end of the fiscal year.

**Accomplishment:** Classification of over 20,000 volumes into the K class schedule in fiscal 2016 has improved access to the law collection. This includes discovery, retrieval, and service of collection items to Congress and the public.

**Annual Performance Goal:** Improve collection access in the Law stacks.

**Performance Target:** Return of collection material in call number order to Quad A of the Law Library sub-basement stacks in support of compact shelving replacement project has commenced.

**Accomplishment:** The successful fiscal 2016 replacement of Quad A shelving in the Law stacks and the return of collection items in call number order will result in improved law collection access and enable better patron service.

**Annual Performance Goal:** Improve collection access in the Law stacks.

**Performance Target:** A new database for range finder information for the Law stacks is created.

**Accomplishment:** The automated range finder, that replaces a printed document, has improved the access to legal documents in the Law Library's Collection by making it easier and faster to determine where a specific call number is located in the sub-basement stacks.

**Annual Performance Goal:** Assess and make recommendations for collections security.

**Performance Target:** Four (4) assessments have been conducted and four security recommendations have been implemented to improve safeguards in targeted high-security areas.

**Accomplishment:** In fiscal 2016, six (6) assessments were conducted and security recommendations were implemented in five (5), high security areas. The implementation of these physical security and electronic access controls reduces risk of mutilation and theft to the collections. These efforts will continue until all areas have these improved controls.

**Annual Performance Goal:** Improve inventory control of the general collections to support more accurate tracking and security.

**Performance Target:** Inventory 500,000 items in the General Collections.

**Accomplishment:** 666,767 general collection items were inventoried through the Retrospective Holdings Integrity Program and New Acquisitions Program that facilitate the retrieval and tracking of both retrospective holdings and new acquisitions at on-site and off-site storage locations, expanding inventory control of items in the Library's collection.

**Strategy #3:** Work with the U.S. Copyright Office to develop modernized copyrights systems and practices, in accordance with copyright laws and public objectives.

**Annual Performance Goal:** Complete all studies requested by Congress by the due date and in the format requested by Congress, to assist Congress in its deliberations on copyright matters.

**Performance Target:** All scheduled studies are on time and in the form requested.

**Accomplishment:** The ongoing public engagement on these studies responds to Congress's requests for the Office's expertise on these issues, which Congress may choose to use in formulating subsequent legislation.

**Annual Performance Goal:** Provide ongoing advice regarding new or emerging areas of copyright policy to assist Congress in its deliberations on copyright matters.

**Performance Target:** The Office has provided expert advice and policy recommendations for fiscal year hearings or proposed legislation.

**Accomplishment:** The Office's response to requests of Congressional staffers, members and committees shows the Office's service to Congress, in terms of ongoing advice as well as expert counsel on legislative drafting on a non-partisan basis. Thus far, such work has resulted in the introduction of the two bills, H.R. 4241 (CODE Act) and H.R. 5757 (CASE Act), and additional bills may be forthcoming from other sponsors. The bills aim to address various issues that take steps to modernize the structure of the Copyright Office as well as increase authors' access to resolution of small copyright claims apart from expensive federal litigation.

**Annual Performance Goal:** Provide timely assistance and subject matter expertise to U.S. policy and legal positions as part of official U.S. delegations to ensure appropriate inclusion of copyright-related concerns.

**Performance Target:** The Office is providing advice and/or participating in all delegations for which Copyright Office involvement was requested.

**Accomplishment:** The ongoing expert advice provided by the Office to Executive Branch agencies indicates our successful work in meeting our statutory duties to engage in these interagency consultations on domestic and foreign copyright matters. With respect to trade agreements and treaties, the Office's expertise contributes to ensuring that the goals of the Copyright Act are respected in these international norms as well as properly implemented and reflected in U.S. law if and when revisions are needed for the United States to comply with them.

**Annual Performance Goal:** Train all of the new examiners in copyright law and registration practices in order to decrease pendency times for examining applications and issuing registrations or refusals.

**Performance Target:** New examiners brought on board in the previous fiscal year have received training in the copyright law, compendium, and examining handbook, achieving independence by the end of the current fiscal year.

**Accomplishment:** Progress in training and independence for new hires lays the groundwork for increased productivity in the Registration Program beginning with fiscal 2018.

**Annual Performance Goal:** Enhance the Library's collection acquisitions by appropriately processing Copyright deposit transfers.

**Performance Target:** Select and process into the Library's collections more than 300,000 copyright deposits.

**Accomplishment:** The Library has selected and processed into the collection 369,425 print items, more than 23% of the target, received through Copyright deposit transfer, enriching the collection with the most recent print material published in the U.S.

**Strategy #4:** Stimulate and support research, innovation, and life-long learning through direct outreach and through national and global collaborations.

**Annual Performance Goal:** Improve third-party relationships, potential partnerships and external support for the Library of Congress.

**Performance Target:** Proactively seek opportunities for the Librarian of Congress or designees to speak to third parties; write and distribute guest columns to targeted association newsletters or specialty publications; and host small groups at the Library.

**Accomplishment:** All planned opportunities were implemented in fiscal 2016. A planning calendar is in development for fiscal 2017 in areas where the Office of Communications has the lead, such as collaboration with Destination DC and other tourism-focused organizations with a primary mission of marketing. Third-party outreach generally is primarily the responsibility of National and International Outreach, with the Office of Communications playing a supportive role as opportunities arise. However, the accomplishments in 2016 of leading the Library's relationship with the Washington Nationals, supporting Library Services' collaboration with StoryCorps and other functions serve as models for working with other institutions to achieve mutually beneficial goals.

**Annual Performance Goal:** Expand the scope and quantity of titles available in alternative formats throughout the National Library Service for the Blind and Physically Handicapped system.

**Performance Target:** Increase titles available on Braille Audio Reading Download (BARD) by 6,000; from baseline of 80,690 to 86,690.

**Accomplishment:** Increased titles available on BARD by 14,900; from baseline of 80,690 to 95,590, exceeding the target by 19%.

**Annual Performance Goal:** Improve awareness of Library of Congress collections and services by developing and managing original content creation and distribution that promotes their availability and/or connects audiences directly to the materials.

**Performance Target:** Focus original content creation for existing channels such as social media and the Library of Congress Magazine on accessibility of Library collections and services, track metrics of online use to determine impact of web traffic generated by these efforts.

**Accomplishment:** All fourth-quarter plans are complete. The Office of Communications executed its plan for the year of promoting online collections and tracking metrics. The Office will expand this effort in the coming fiscal year with the launch of a new home page. The new page will serve as a lynchpin for the social media/blog focus of this year. These efforts support the Library's goal of making its collections and services accessible by raising awareness of the online opportunities for various constituencies.

**Annual Performance Goal:** Work with World Digital Library (WDL) partners to add content of high historical and cultural value to the WDL; add content from and about the United States and its cultural heritage to the WDL, from both the Library's own collections and from WDL partners.

**Performance Target:** Number of documents on WDL increased by 22% of total as of 9/30/2016; number of documents from and about the United States is increased by 50% of total as of 9/30/2016.

**Accomplishment:** The total number of documents on the WDL increased by 20.3% in fiscal 2016; the number of documents from and about the United States increased by 132%. The WDL reached nearly 7 million users in fiscal 2016, exposing people from all over the world to the collections of the Library of Congress and to the national and international leadership role played by the Library in the WDL. The addition of content improves the visitor experience, ensuring that visitors find and can be informed and enlightened by the content they are seeking.

**Annual Performance Goal:** Improve the tracking and dissemination of information about Library of Congress digital activities.

**Performance Target:** Establish a baseline of information about Library of Congress digital activities and a process for continually updating it.

**Accomplishment:** In fiscal 2016, the Library established a baseline of information about Library of Congress digital activities which is continually updated. Using that information helped National Digital Initiatives (NDI) include digital innovators from throughout the agency (from maps and GIS experts to programmers working on loc.gov) at the very successful Collections as Data event that NDI planned and hosted.

**Annual Performance Goal:** Expand the Library's online outreach to educators and collaborate with professional organizations that serve specific teacher audiences to increase access and engagement with the collections and provide Teaching with Primary Sources strategies for incorporating collections into classroom instruction.

**Performance Target 1:** Offer webinars and an online conference for educators; gather data on number of participants and level of engagement.

**Accomplishment:** NIO offered stand-alone webinars and a two-day online conference that featured 15 webinars in fiscal 16. NIO collected participation data for these webinars which revealed the live session attracted 1,694 participants, and the online recordings were viewed 12,249 times over the course of the year. Additionally, the sessions of the online conference were posted to the Library's YouTube channel where they have garnered an additional 2,141 views. We also invited participants to complete a brief survey following the sessions. 74% of attendees responded that to a large degree, the webinars will provide them with tools and resources to effectively integrate primary sources into classroom teaching. Additionally, more than three quarters of the attendees stated that the webinar was much more useful than other webinars they have participated in. The success of the online conference has prompted NIO to offer a second annual Online Conference for Educators early in fiscal 2017, and we will again be engaging speakers from across the Library as well as the TPS Consortium. NIO conducted follow-up webinars for teachers who participated in our Summer Teacher Institutes has proven to be very valuable. These webinars provide us with substantial program feedback, and allow participants to reflect on their experience with the Library 3-4 months later. We will again offer these webinars in fiscal 2017. Finally, offering topical webinars during the spring school semester allowed us to keep the momentum established by our fall online conference—and engaged our two Teachers in Residence. Although the

topics for the spring webinars will likely change from fiscal 2016, we will offer them, and plan to engage our new Teacher in Residence as a presenter.

**Performance Target 2:** Create and publish 10 articles (that provide teachers with strategies for engaging students with Library collections) in the journals of professional organizations such as the National Council for the Social Studies (NCSS) and the National Science Teachers Association (NSTA).

**Accomplishment:** By exceeding our performance target for fiscal 2016 by publishing twice as many articles as we had anticipated, we not only strengthened our collaborations with professional organizations, but we also better served specific teacher audiences (namely social studies, science, and music teachers). We increased their interest in, access to, and engagement with the collections and successfully provided Teaching with Primary Sources strategies for incorporating collections into classroom instruction. In fiscal 2017, we will continue to write regular features in the journals of NCSS, NSTA, and the National Association of Music Education, as well as the National History Day teachers' guide.

**Annual Performance Goal:** Broaden the reach and applicability of the Teaching with Primary Sources (TPS) program by including the expertise from regional grantees in the design and delivery of the program, ensuring it meets the needs of teachers in incorporating Library of Congress primary sources into their lessons and assignments.

**Performance Target:** Regional partners actively participate in the TPS consortium.

**Accomplishment:** During fiscal 2016, our efforts to broaden the reach and applicability of the TPS program by including the expertise from regional grantees in the design and delivery of the program were highly successful. Early in the year, all regional grantees received information about joining the TPS Consortium; in the spring, all received the notice of funding availability to join; 20 regional grantees submitted proposals; and five were selected. In fiscal 2017, their efforts will begin—and we are excited about their plans! They include: developing online inquiry kits that support student research with primary sources, conducting in-service and pre-service teacher workshops in collaboration with cultural and educational organizations, creating a curriculum for K-12 teachers that will support new state Social Studies standards, and more.

**Annual Performance Goal:** Improve customer experience by leveraging technology and digital solutions in a cost-effective manner.

**Performance Target:** Three (3) digital service initiatives developed to include: 1. Digital Publication; 2. E-commerce; 3. Distribution Service.

**Accomplishment:** Improved customer experience by leveraging technology and digital solution in a cost-effective manner.

1. Digital Publication- Released the Library Shop's first digital catalog- a 40 page flipbook, which was mounted on our Shopify website November 2015—January 2016.
2. Ecommerce- Signed licensing agreement to sell reproductions of the Library's images through a 3rd-party distributor, 1000 Museums.



3. Distribution Services- Successfully tested a new distribution solution to distribute our MARC records. It is hosted through Amazon Web Services (AWS) and will offer no-fee access to the records.

**Annual Performance Goal:** Increase cost savings for other federal agencies to support a more efficient federal government.

**Performance Target:** Federal agencies have achieved \$30 million in cost savings through FEDLINK.

**Accomplishment:** FEDLINK saved federal agencies approximately \$50 million in administrative costs through its assisted acquisition program, which is 67% above the targeted savings.

**Annual Performance Goal:** Expand the production of high-quality publications and products that highlight the Library's collections.

**Performance Target:** Create a public awareness of the Library's collections through the publication of three new book titles and three calendars.

**Accomplishment:** In fiscal 16, the Library of Congress Publishing Office raised the visibility of the Library's collections through the release of two major new books and three licensed products:

- Jacob A. Riis: Revealing New York City's Other Half: A Complete Catalogue of His Photographs (in association with Yale University Press and the Museum of the City of New York)
- Facing Change: Documenting America (in association with Prestel)
- Ernst Haeckel: Art Forms in Nature coloring book (in association with Pomegranate)
- Ernst Haeckel Art Forms in Nature 2017 wall calendar (in association with Pomegranate)
- Movie Posters 2017 wall calendar (in association with Universe)

The Publishing Office completed work that will enable the publication of four major new books in early 2017:

- America and the Great War: A Library of Congress Illustrated History (in association with Bloomsbury)
- The Card Catalog: Books, Cards, and the Library of Congress (in association with Chronicle)
- Fabriano: City of Medieval and Renaissance Papermaking (in association with Oak Knoll)
- Picturing America: The Golden Age of Pictorial Maps (in association with the University of Chicago Press)

**Annual Performance Goal:** Promote reading and literacy through a number of national programs and events.

**Performance Target:** Complete seven major reading and literacy programs.

[National Book Festival, Library of Congress Literacy Awards, Poetry & Literature Center, Young Readers Center, National Ambassador for Young People's Literature, Letters About Literature, Books & Beyond]

**Accomplishment:** All seven major programs were delivered. The book festival was delivered on September 24, 2016, the literacy awards were delivered on September 23, 2016, the Poetry & Literature Center delivered 40 events, the Young Readers Center hosted children every Friday in fiscal 2016, the ambassador for young people participated in the book festival, the Letters About Literature winners were awarded on September 24, 2016, and more than 10 Books and Beyond events occurred.

**Annual Performance Goal:** Promote awareness among the general public and cultural heritage professionals regarding the Library's preservation programs and partnerships to advocate for appropriate preservation actions.

**Performance Target:** Increase baseline for National Film Registry from 650 titles to 675 titles, and baseline for National Recording Registry from 425 titles to 450 titles.

**Accomplishment:** The Library achieved this target in the first and second quarters of fiscal 2016. The baseline for National Film Registry increased from 650 titles to 675 titles and the baseline for National Recording Registry from 425 titles to 450 titles.

**Annual Performance Goal:** Strengthen Library of Congress internships and fellowships by improving processes for advertising, selecting candidates, and implementing programs that provide learning experiences and assist the Library of Congress in fulfilling its mission, including through the establishment of a single internship and fellowship portal.

**Performance Target 1:** Junior Fellows applications are processed and interns are hired and placed as appropriate. Gather data on participant experience.

**Accomplishment:** In Summer 2016, the Junior Fellows Program welcomed 38 interns who took on 26 projects, in 17 divisions, across four service units of the Library. The Junior Fellows supported a range of library work, in both collections and service-oriented projects. They were also encouraged to participate in enrichment activities designed to complement their project work and enhance their internship experience. An assessment of the 2016 program was conducted through online surveys of participants (interns and supervisors). Data and feedback from these surveys were collected and included in the final program report, and will be used to inform strategic and administrative decision-making regarding the program, going forward. Specifically, there will be an aim to identify new (and leverage existing) strategies and opportunities to: increase management efficiency, continue to provide robust professional development and educational experiences for interns, expand program visibility, and ultimately, support the Library's mission and mission-aligned endeavors.

**Performance Target 2:** Assess the fiscal 2015 pilot National Digital Stewardship Residency (NDSR) program, implement program recommendations, and launch the fiscal 2017 NDSR program.

**Accomplishment:** The NDSR program successfully completed an assessment of the 2015-2016 program. The lessons learned informed strategies to improve the program for the 2016-2017 program, addressing all aspects of the year-long residency in digital stewardship to help the Library meet the goals of the interagency agreement with the Institute of Museum and

Library Services and recruit the best talent for future iterations. The NDSR program contributes to the Library's effective and engaged leadership in national and international collaborations to cultivate and nurture nationwide talent in the emerging field of digital stewardship for the benefit of a wide range of cultural heritage institutions facing a myriad of 21st-century information management challenges.

**Annual Performance Goal:** Support, showcase and celebrate significant scholarship and research distilled from the Library's collections through the Kluge Center and its fellowships and scholarly programs, for the benefit of the U.S. Congress, policymakers and the public.

**Performance Target:** Complete nine fellowship competitions; present 30 scholarly programs. Gather data on fellowships and scholarly programs (i.e., applicants, selectees, event attendance).

**Accomplishment:** The Kluge Center completed nine fellowship competitions and presented 30 scholarly programs. It also gathered data on fellowships and scholarly programs, tabulating numbers of applicants and fellowships awarded, and event attendance. All of this information is stored in the Kluge Center database. By bringing scholars from around the world to the Library of Congress through fellowship competitions, the Kluge Center attracts researchers who make deep and consequential use of the Library's collections on a daily basis. By hosting regular public programming, the Center showcases for Members of Congress, Washington policymakers and the public the array of scholarship and knowledge that can be gleaned from use of the Library's collections.

**Annual Performance Goal:** Highlight and increase access to the Library's collections through exhibitions and displays.

**Performance Target 1:** Open six new exhibitions featuring the Library's collections in order to attract and engage new and repeat visitors, and increase access to the collections. Gather data for major exhibitions on the number of visitors.

**Performance Target 2:** Open eight displays featuring the Library's collections in order to attract and engage new and repeat visitors, and increase access to the collections.

**Accomplishment:** In fiscal 2016, the Interpretive Programs Office met the target of opening six exhibitions and eight displays.

**Annual Performance Goal:** Plan and execute public programs and special events for a diverse clientele, that showcase the Library's magnificent physical space, to support the Library's strategic goals of facilitating research, innovation and life-long learning through direct outreach and through national and global collaborations.

**Performance Target:** Plan and execute 250 public programs and special events for a diverse clientele, including Congress, Library of Congress divisions, and national and international corporations and nonprofit organizations, showcasing the Library's magnificent physical space.

**Accomplishment:** The Office of Special Events and Public Programs planned and executed 395 public programs and special events – 58% more than the targeted level – for a diverse clientele, including Congress, Library of Congress divisions, and national and international

corporations and nonprofit organizations that showcased the Library's magnificent physical space. These events support the Library's strategic goal of facilitating life-long learning through direct outreach and through national and global collaborations. The events attracted new and diverse audiences to the Library and increased awareness of the services provided by the Library.

**Annual Performance Goal:** Offer a variety of visitor services that promote an understanding of the Library's rich cultural offerings.

**Performance Target:** Offer 12 visitor services and accommodations continuously throughout the year. Gather and analyze statistics on visitor services including numbers of visitors to the Library.

**Accomplishment:** Visitor Services Office provided services to a diverse and ever growing number of visitors. Visitation to the Jefferson Building surpassed 1.4 million during fiscal 2016 (a 15% increase over the previous year). The peak month was June with 171,700 visitors (an average of 6,600 per day) to the Jefferson Building alone. Visitors participated in guided tours of all sorts as well as using materials to self-guide. Families and students benefited from specially produced materials created for various ages.

**Strategy #5:** Empower the workforce for maximum performance.

**Annual Performance Goal:** Leverage Library diversity by providing inclusiveness programming and ensuring that employees are regularly informed of available diversity resources.

**Performance Target:** By September 30, 2016, Equal Employment Opportunity and Diversity Programs Office will have provided and publicized 12 diversity resources (e.g. training presentations, films, reading lists).

**Accomplishment:** We were pleased that we were able to consistently exceed our performance target on this metric and provide a wide variety of inclusiveness programming to staff as well as keeping staff regularly informed about available diversity resources through fiscal 2016. This helped to ensure that we were leveraging diversity here at the Library by promoting disability and cultural awareness and increasing diversity inclusion knowledge.

**Annual Performance Goal:** Sustain an effective Library personnel security and suitability program that complies with Office of Personnel Management and other national agencies standards to facilitate Library hiring and retention goals.

**Performance Target:** Adjudicate at least 80% of non-issue background investigations for employees and non-employees within 25 days, and at least 80% of issue background investigations within 55 days, of the investigation closing date.

**Accomplishment:** During the first three quarters of fiscal 2016, the Personnel Security Office had three staff adjudicators allowing the performance target to be achieved. During the last quarter, the office was only operating with one adjudicator. This shortage resulted in the inability to meet the completion target. The actions to fill these two positions are in progress.

**Annual Performance Goal:** Enhance the Merit Selection process to efficiently recruit and hire a skilled and diverse workforce for the future.

**Performance Target:** Updated Merit Selection policies and processes are implemented to optimize the efficiency of the hiring process.

**Accomplishment:** Hiring the best qualified staff is critical to the Library's current and future success. Doing so efficiently enables the Library to make the most effective use of the budgetary resources entrusted to the Library by Congress and the American taxpayers.

**Annual Performance Goal:** Improve the workforce performance management process to support a high performing workforce.

**Performance Target:** 85% of staff performance management documents are recorded in EmpowHR.

**Accomplishment:** In fiscal 2016, 86% (9,423 out of 10,992) of staff performance management documents that were due in the past 12 months were recorded in EmpowHR. Workforce Performance Management process improvements intentionally focused Library managers and staff on the expectations, roles, and responsibilities needed to foster a high performance culture.

**Annual Performance Goal:** Enable the identification of employee skill gaps to assess the current workforce and the Library's current and future needs.

**Performance Target:** A competency assessment program and tool is developed to identify and close critical skill gaps.

**Accomplishment:** In fiscal 2016, Human Resources Services completed the program plan and contracting actions necessary to initiate a project to assess competencies for the Library's IT workforce. This competency assessment program and tool will serve as a model to identify and close critical skill gaps in other areas of the Library.

**Annual Performance Goal:** Expand and more effectively utilize hiring flexibilities beyond the Merit Selection process to recruit and hire a skilled and diverse workforce for the future.

**Performance Target:** Expand awareness of hiring flexibilities and increase the use of hiring flexibilities by 20% above the fiscal 2015 usage baseline.

**Accomplishment:** The Library continues to expand awareness of hiring flexibilities to reduce the time it takes to complete this process. A key to success is making effective use of non-competitive hiring programs. The Hiring Resource Center contributed positively to a 35% increase in the use of non-competitive hiring flexibilities at the Library during fiscal 2016.

**Annual Performance Goal:** Implement extension of Phased Retirement Pilot and evaluate the program as a succession tool for the Library's workforce.

**Performance Target:** The Phased Retirement Pilot has been extended and evaluated as a succession management tool.

**Accomplishment:** The Library of Congress was the first Federal agency to implement a phased retirement program. This, coupled with successfully transitioning the program from its pilot phase to a permanent program, reflects well on the Library of Congress and contributes positively to the Library's succession management efforts.

**Annual Performance Goal:** Leverage online learning resources to support the career and leadership development and project management skills of the Library's workforce.

**Performance Target:** Usage of LOC SkillPort resources is increased by 25% over the fiscal 2015 baseline.

**Accomplishment:** In fiscal 2016, HRS increased usage of LOC SkillPort resources by 28% over the fiscal 2015 baseline. This increase was facilitated by greater promotion of the LOC SkillPort resources to Library staff and high compliance rates of required online training.

**Strategy #6:** Deploy a dynamic, state-of-the industry technology infrastructure that follows best practices and standards.

**Annual Performance Goal:** Expand the user base of the Legislative Branch Financial Management System (LBFMS) to share resources and financial system services.

**Performance Target:** The Architect of the Capitol (AOC) has been integrated into the LBFMS.

**Accomplishment:** The Office of the Chief Financial Officer (OCFO) successfully integrated the AOC into the LBFMS in fiscal 2016. Expanding the user base of the LBFMS cross-servicing environment provides the Legislative Branch with the opportunity to further standardize financial operations.

**Annual Performance Goal:** Plan of Action and Milestones (POAMs) addressing LC system-level security weaknesses are developed and resolved in a timely manner in order to protect IT systems and reduce the risk that the information they contain will be compromised.

**Performance Target:** 95% of POAMs are closed out within 30 days of the estimated completion date.

**Accomplishment:** In fiscal 2016, over 95% of the open and new POAMs were closed within 30 days of their due date. Tracking POAMs allows leadership to better understand the critical security issues affecting their systems and putting their systems and the Library at risk. Additionally, closing POAMs quickly and verifiably ensures the systems are more secure and helps reduce the risk associated with a cybersecurity threat, better enabling the Library to meet its mission.

**Annual Performance Goal:** Perform a holistic assessment of the configuration of servers and databases that support In-Scope tier 1 systems at the Alternate Computing Facility as the basis for instituting a technology infrastructure aligned with best practices and standards.

**Performance Target:** Benchmark the Library's current server and data center configurations that support tier 1 systems against industry best practices and standards.

**Accomplishment:** The holistic assessment of the configuration of servers and databases supporting tier 1 systems the Office of the Inspector General identified for review was conducted and provided information needed to benchmark server and data center configurations against industry best practices and standards. This benchmarking effort will better enable the Office of the Chief Information Officer to proactively manage, monitor, and sustain IT resources in deploying a dynamic, state-of-the industry technology infrastructure.

**Annual Performance Goal:** Improve acquisitions and payment functionality in the Legislative Branch Financial Management System by implementing Momentum version 7.0 and the Invoice Processing Platform (IPP).

**Performance Target:** Momentum 7.0 and IPP have been implemented.

**Accomplishment:** The OCFO successfully implemented the Momentum version 7.0 and IPP in fiscal 2016. By accomplishing this effort, OCFO has enhanced the acquisition and payment functionality of the system for users across the Library and improved their ability to effectively manage the financial and administrative operations of the Library.

**Annual Performance Goal:** In response to the Government Accountability Office (GAO)'s March 2015 audit of the Library entitled, Strong Leadership Needed to Address Serious Information Technology Management Weaknesses; to ensure that Personally Identifiable Information (PII) is not collected unnecessarily; and that PII is safeguarded appropriately, the Office of The General Counsel (OGC) will oversee the Library's evaluation of its systems that collect PII and determine whether the PII is adequately protected by certifying completed Privacy Threshold Analyses (PTAs) and Privacy Impact Assessments (PIAs), as necessary.

**Performance Target:** Complete the review and certification of all PTAs and PIAs, as necessary, by June 30 and issue memorandum to Service Unit heads by September 30.

**Accomplishment:** The OGC's review ensured compliance with a finding in the 2015 GAO Audit.

**Annual Performance Goal:** Improve IT governance through targeted initiatives addressing gaps in management controls over: IT assets, monitoring capabilities, customer support and IT infrastructure.

**Performance Target:** Baseline and report (quarterly) on the status of Office of the Chief Information Officer (OCIO) targeted initiatives.

**Accomplishment:** While not all of the initiatives that were identified in fiscal 2016 were completed, the OCIO's efforts to improve management controls have already had a positive impact on the Library's IT governance. For example, the goals of the Telework Laptop Committee was to improve the laptop configuration process, update user and help desk guides, and update the firewall policy for laptops, among others. By achieving these goals,



Library telework staff has seen an improvement in service delivery and remote support. The other initiatives, both completed in 2016 and planned in 2017, will have impacts both within the OCIO and throughout the Library that will ensure IT accountability and efficiency.

**Annual Performance Goal:** Strengthen IT investment management by developing a complete and reliable enterprise architecture that accurately captures the “as is” technical environment and outlines a strategy for transition to the “to be” environment.

**Performance Target:** Execute an Enterprise Architecture (EA) improvement plan based on the Critical Success Factors of the EA Management Maturity Framework.

**Accomplishment:** The EA improvement plan was completed as of the end of fiscal 2016. The EA program successfully developed a framework and strategy for EA at the Library, implemented an EA metamodel based on the Federal Enterprise Architecture Framework (FEAF) into an EA modeling tool/repository, and continued to maintain the Library's IT standards program. In fiscal 2017, the EA Program Office will work with consultants to develop a standard methodology and standard artifacts for planning EA future state and transition plans for achieving the future state.

**Annual Performance Goal:** Document enterprise-wide IT expenditures in order to ensure accountability of the Library's IT investments.

**Performance Target:** Produce (draft) enterprise-wide IT expenditure report.

**Accomplishment:** In fiscal 2016, the OCIO worked with the OCFO to capture enterprise-wide IT expenditures in the Library's financial system for management review. The September 30th milestone, as written, was unachievable, since a full year's expenditures would not have been available for analysis before the fiscal year expired. The data is recorded in the financial system; OCFO is now refining the IT expenditures report and OCIO is validating that the data is complete and accurate. In the end, this report will allow the Library to appropriately account for the agency's IT expenditures.

**Strategy #7:** Organize and manage the Library to facilitate change and adopt new methods to fulfill its mission.

**Annual Performance Goal:** Synchronize the Library's planning, performance management, and risk management activities in order to improve management activities collected and reported.

**Performance Target:** Establish baselines for planning, performance, and risk management activities.

**Accomplishment:** Establishing integrated timelines for planning, performance, and risk management sets the stage for better information to support decision making at the Library's leadership level. The new planning framework and tools provides service units more flexibility to fine tune their planning at the service unit level and easily identify goals and targets that need to be monitored and reported at the Library level. The Strategic Planning and Performance Management team, in collaboration with the OCIO team, delivered a high quality planning application (COMPASS) that, in combination with the planning framework,

provides the foundation for continued improvement in planning, performance, and risk management activities in the future.

**Annual Performance Goal:** Update the gift and trust database to ensure currency and usability for all Library users.

**Performance Target:** Complete update of data in the gift and trust database by September 30, 2016.

**Accomplishment:** In fiscal 2016, 90% of the 290 funds recorded in the Gift & Trust Fund database were reviewed and either updated or verified to be accurate. The OCFO will complete the accuracy verification review of recorded funds in October of fiscal 2017. By completing this review and update, Library management and staff will have current and usable information governing the gifts and bequests for the benefit of or in connection with the Library, its collections and its services.

**Annual Performance Goal:** Improve financial management governance by revising or implementing new policies and procedures associated with the work performed by the Office of the Chief Financial Officer (OCFO).

**Performance Target:** Revise existing OCFO-managed Library of Congress Regulations (LCRs) and directives, as needed, and write new OCFO-managed LCRs/directives.

**Accomplishment:** In fiscal 2016, OCFO wrote one new LCR and improved 19 LCRs and directives associated with the work performed by the OCFO. Completing these reviews and promulgations, and continuing so, ensures Library staff are accountable to and guided by up-to-date policies, procedures and responsibilities information governing the financial management operations and activities led by the OCFO.

**Annual Performance Goal:** Strengthen the governance supporting the Travel Office's operations in order to provide consistent and accurate information that meets the needs of Library travelers.

**Performance Target:** Travel information has been enhanced through development of a travel training course for staff; updated Travel Library of Congress Regulations and Directives; and publication of an international travel guide.

**Accomplishment:** Documents governing the Library's Travel Program have been reviewed, updated and streamlined to enhance the organization and clarity of travel policy and guidance. Additionally, new training courses were developed and piloted to encompass overviews of travel policy and the procedures for recording financial transactions in Momentum, and the feedback obtained from the pilot sessions will be incorporated into training materials and content for the new, established training that is scheduled to launch in November. Accomplishment of this overall effort ensures consistency across all Library travel information and with the Federal Travel Regulations, providing strengthened travel guidance to Library travelers and administrative staff.

**Annual Performance Goal:** Improve awareness and training on the LC Continuity of Operations Procedure (COOP) Plan to enable the continuation of mission essential functions during emergencies.

**Performance Target:** At least 75% of LC essential personnel have received training on, and have exercised their assigned essential functions remotely under COOP conditions.

**Accomplishment:** In fiscal 2016, the OCIO is still in the process of expanding remote access to mission essential COOP personnel. Until these conditions are remedied, we cannot fully exercise testing under COOP conditions. There is a large scale exercise planned for the second quarter of fiscal 2017 that will satisfy this requirement on all levels within the Library.

**Annual Performance Goal:** Reduce the number of life safety compliance citations in order to maintain a safe and accessible work environment.

**Performance Target:** Reduce the number of high-risk hazards by 50% by the end of the fiscal year.

**Accomplishment:** Safety Services Office (SSO) resolved 62% (18 of 29) of the high-risk hazards during fiscal 2016. SSO will continue to leverage the success and momentum of fiscal 2016's abatement efforts in the mitigation of new and remaining citations in the coming year. This work improves the safety profile of the Library of Congress - making it safer for employees and Library patrons.

**Annual Performance Goal:** As the Library's Competition Advocate, the Office of The General Counsel (OGC) will oversee the development of a unified Library standardization program which will ensure that Library equipment is inter-operable, reliable, technically superior and affordable.

**Performance Target:** Draft process for standardization program by September 30.

**Accomplishment:** OGC's evaluation and assessment of standardization programs provided important data points to inform the Library's decision as to whether a standardization program is the right approach for the Library.

**Annual Performance Goal:** Provide lead cultivation, solicitation, and stewardship for priority initiatives requiring private sector funds.

**Performance Target:** Develop an interim fundraising plan for fiscal years 2017 and 2018, tied to the Library's strategic goals and objectives.

**Accomplishment:** Developing the blueprint has set the groundwork for establishing Dr. Hayden's fundraising priorities for the Library which will allow the Library to articulate the connection between our fundraising efforts and our mission. The Development Office will now be working with an outside consultant to draft the strategic development plan.

**Annual Performance Goal:** Strengthen the Library's indirect cost (IC) program by studying the Library's methodology for calculating indirect cost rates, documenting definitions for indirect cost factors, and recommending changes in methodology for calculation of indirect costs.

**Performance Target:** Report issued summarizing current state of IC program and recommendations regarding methodology for indirect cost rate calculations.

**Accomplishment:** The OCFO engaged a consultant to summarize the current state of the IC program and prepare recommendations regarding the same. In so doing, the consultant interviewed stakeholders across the Library, researched historical documents and federal standards, and documented definitions and background of the IC program. The consultant's report identified an opportunity to increase engagement and transparency in the Administrative Working Funds process by improving indirect cost calculations. Additionally, OCFO used a technical contractor to document the calculations involved in setting rates and transfer the process from a complex Excel spreadsheet to an Access database which will strengthen controls and make the process more streamlined, nimble and auditable. In fiscal 2017, OCFO will collaborate with stakeholders throughout the Library to assess the report, determining which recommendations should be implemented and developing a timeline for each.

**Annual Performance Goal:** Increase the efficiency and effectiveness of the delivery of facility projects to support the Library's goals.

**Performance Target:** Series 1-3 Facility project targets identified in the Library's Multi-Year Facility Project Plan are accomplished at an 80% on time rate.

**Accomplishment:** During fiscal 2016, Facilities Services Division completed 41 facility projects (critical milestones achieved at an average rate of 73%). Completed projects support the Library's staff and patrons in accessing the collections and working/researching in optimized facilities.

**Annual Performance Goal:** Strengthen the Library's compliance with GSA Bulletin FMR-B26 for increased asset management effectiveness.

**Performance Target:** The Library's asset management program will be at least 50% compliant with FMR-B26 by the end of fiscal 2016.

**Accomplishment:** The Library's 86% level of compliance with the FMR-B26 bulletin establishes its position as an agency with an effective asset management program aligned with its fiscal controls. During fiscal 2016, Logistics has completed the following tasks associated with the GSA guidance:

- 1) Annual review of LCR and ISS Directives;
- 2) Annual review of staff roles and responsibilities;
- 3) Reconciliation of Capitalized Assets in AMTS;
- 4) Annual review of processes for handling of personal property;
- 5) Quarterly reconciliation between AMTS inventory report and Capitalized Items sub-ledger;
- 6) Annual review of Property Management Systems Requirements.

Training for agency staff was the only compliance item not achieved in fiscal 2016, but planned for execution in fiscal 2017. The Library's asset investments can be tracked and retained for use, and insures that assets are not being misappropriated for non-productive functions.

**Annual Performance Goal:** Support effective, engaging internal communications with staff.

**Performance Target:** Establish baseline of staff satisfaction and engagement with existing communications tools.

**Accomplishment:** Fourth-quarter activities are complete, including compilation and evaluation of feedback from staff, early adjustments to internal communications, and plans in place for adjustments that require more time. This effort was important to establishing a baseline understanding of staff views regarding internal communications at the Library of Congress. Feedback will inform plans in the coming fiscal year for Gazette content, including regular communications from the Librarian of Congress, plans for a consolidated events calendar, and other key findings.

**Annual Performance Goal:** Monitor and improve the initial review process for Purchase Requests and Acquisition Packages to ensure the Office of Contracts & Grants Management (OCGM) staff are responsive to client needs and provide timely feedback to enable Library staff to effectively engage the Office of Contracts and Grants Management.

**Performance Target:** 90% of Requisitions assigned, reviewed, and initial feedback provided to clients in 5 days.

**Accomplishment:** This represents a dramatic improvement from fiscal 2015 performance, where 27% of open requisitions were assigned within 5 days of receipt, with an average response time of 16.8 days per assignment. OCGM will continue to focus on the intake and feedback process to further improve responsiveness to its clients. Improving the initial review and feedback process will help better deliver critical contractual support to the Library and its patrons.

**Annual Performance Goal:** Improve the time to complete procurement actions to facilitate effective planning for execution of Library procurement, minimize delays in the delivery of required goods and services, and ensure that the Library does not lose required contract support or otherwise forfeit contractual rights due to untimely execution.

**Performance Target:** Complete 80% of procurement actions within Procurement Action Lead Time (PALT) targets.

**Accomplishment:** In fiscal 2015 the OCGM awarded 65% of procurement actions within PALT standards. Though not up to the set target, this represents a significant improvement over the prior year's performance. OCGM will continue to focus on reducing the time to award contract actions to provide timely and effective contractual support to the Library and its patrons.

**Annual Performance Goal:** Monitor and reduce contract risk stemming from other than competitive, fixed price contracts to ensure appropriate management controls and mitigation strategies are in place and that the Library's use of high risk contract types and strategies is limited to circumstances where a lower risk approach is not feasible.

**Performance Target:** Contract risk levels are monitored and maintained at optimal levels to effectively mitigate risk.

**Accomplishment:** There was a rigorous review process throughout the year for these types of contracts. In fiscal 2017, the OCGM will work closely with the OCFO to address the data challenges with the post line report to improve the fidelity of acquisition data for this performance goal.

**Annual Performance Goal:** Assess the degree to which the Office of Contracts & Grants Management (OCGM) clients report successful engagement, utility of information, knowledgeable and helpful staff, timeliness, responsiveness, and fulfillment of client needs to inform improvements to the procurement process year-over-year and ensure effective service delivery.

**Performance Target:** Implement actions to improve performance for any client satisfaction element rated less than 75% positive response.

**Accomplishment:** In November 2016 OCGM will conduct its annual client survey and access results against the prior year. OCGM will identify areas where client satisfaction can be improved and implement further actions to address those areas in fiscal 2017.

**Annual Performance Goal:** Improve integration and delivery of planning information to support budgeting and senior level performance planning.

**Performance Target:** Fiscal 2017 Annual Performance Goals (APGs) and targets and 2018 APGs are complete and inform fiscal 2018 budget preparation and senior level performance planning.

**Accomplishment:** Fiscal 2017 APGs and targets, and fiscal 2018 APGs are complete and contribute to planning efforts around the budget, senior level performance planning, and IT investments. The Library continues to improve its planning processes with the more timely creation and input of information into the COMPASS system. Establishing the baseline planning framework and timeline enables the Library to continue to improve the timeliness of planning information and make it readily available for decision making.

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**Internal Control Program, Systems, Controls, and Legal Compliance**

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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 2016, all Library modules (113) performed VAs on the identified financial and non-financial programs. Based on the results of the level of risk provided by the VAs, 44 modules conducted Detailed Control Reviews (DCRs). DCRs examine if control techniques are in place and working as intended. These 44 DCRs yielded 50 new Corrective Action Plans (CAPs). These CAPs will be monitored and tracked by program officials and verification reviewers until the deficiencies are resolved. All 50 CAPs 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.

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**Limitations of the Financial Statements**

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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, 2016 and 2015

(in thousands)

	FY 2016	FY 2015
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 317,622	\$ 299,342
Investments (Note 3)	30,265	29,235
Accounts Receivable, Net (Note 4.A)	4,413	9,193
Advances and Prepaid Expenses (Note 1.I)	10,026	8,203
Total Intragovernmental	362,326	345,973
Cash and Other Monetary Assets (Note 1.G)	53	140
Pledges Receivable – Donations (Note 4.B)	8,036	7,790
Investments (Note 3)	128,241	121,566
Inventory and Operating Materials (Note 1.K)	341	363
Property and Equipment, Net (Note 5)	49,557	49,250
Beneficial Interest in Perpetual Trust (Note 1.R.3)	2,521	2,396
Other Assets	415	529
Library Collections (Note 1.M)		
<b>TOTAL ASSETS</b>	<b>\$ 551,490</b>	<b>\$ 528,007</b>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 3,930	\$ 3,330
Advances from Others	45,262	44,004
Accrued Unfunded Workers' Compensation (Note 8)	1,599	1,712
Other Intragovernmental Liabilities (Note 10)	2	13
Total Intragovernmental	50,793	49,059
Accounts Payable and Accrued Funded Payroll, Benefits	56,582	51,770
Deposit Account Liability	7,388	6,839
Accrued Unfunded Annual and Compensatory Leave	25,418	25,272
Actuarial Unfunded Workers' Compensation (Note 8)	7,831	8,027
Other Liabilities (Note 10)	4,714	4,407
<b>TOTAL LIABILITIES</b>	<b>\$ 152,726</b>	<b>\$ 145,374</b>
Commitments and Contingencies (Note 9)		
<b>NET POSITION</b>		
Unexpended Appropriations – All Other Funds	\$ 159,066	\$ 161,729
Cumulative Results of Operations – All Other Funds	29,985	27,957
Total Net Position – All Other Funds	189,051	189,686
Cumulative Results of Operations – Dedicated Collections (Combined) (Note 17)	209,713	192,947
Total Net Position – Dedicated Collections (Combined) (Note 17)	209,713	192,947
<b>TOTAL NET POSITION</b>	<b>\$ 398,764</b>	<b>\$ 382,633</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 551,490</b>	<b>\$ 528,007</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, 2016 and 2015

		(in thousands)	
		FY 2016	FY 2015
<b>NET COSTS BY PROGRAM AREA</b>			
<b>Library Services:</b>			
Program Costs	\$	368,141	\$ 397,630
Less: Earned Revenue		(3,973)	(2,667)
<b>Net Program Costs</b>		<b>364,168</b>	<b>394,963</b>
<b>National and International Outreach:</b>			
Program Costs		186,813	0
Less: Earned Revenue		(69,665)	0
<b>Net Program Costs (Note 1.S)</b>		<b>117,148</b>	<b>0</b>
<b>Law Library:</b>			
Program Costs		31,027	26,460
Less: Earned Revenue		(254)	(1)
<b>Net Program Costs</b>		<b>30,773</b>	<b>26,459</b>
<b>Copyright Office:</b>			
Program Costs		80,778	69,991
Less: Earned Revenue		(41,903)	(37,973)
<b>Net Program Costs</b>		<b>38,875</b>	<b>32,018</b>
<b>Congressional Research Service:</b>			
Program Costs		146,774	139,185
Less: Earned Revenue		(360)	(2)
<b>Net Program Costs</b>		<b>146,414</b>	<b>139,183</b>
<b>National Library Service for the Blind and Physically Handicapped:</b>			
Program Costs		0	59,664
Less: Earned Revenue		0	(2)
<b>Net Program Costs (Note 1.S)</b>			<b>59,662</b>
<b>Revolving and Reimbursable Programs:</b>			
Program Costs		0	99,174
Less: Earned Revenue		0	(78,002)
<b>Net Program Costs (Note 1.S)</b>			<b>21,172</b>
<b>NET COSTS OF OPERATIONS</b>	<b>\$</b>	<b>697,378</b>	<b>\$ 673,457</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, 2016 and 2015

(in thousands)

	FY 2016			FY 2015		
	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	\$ 192,947	\$ 27,957	\$ 220,904	\$ 193,738	\$ 27,591	\$ 221,329
Budgetary Financing Sources:						
Appropriations Used	0	595,095	595,095	0	577,613	577,613
Non-exchange Revenue	443	0	443	404	0	404
Donations of Cash or Securities	9,639	0	9,639	7,677	0	7,677
Realized Gains on Investments and Other	2,898	0	2,898	2,356	0	2,356
Other Financing Sources (Non-exchange):						
Donations of Property and Services	1,078	0	1,078	999	0	999
Imputed Financing	2,454	97,233	99,687	2,629	85,131	87,760
Unrealized Gains on Investments and Other	7,332	0	7,332	(3,777)	0	(3,777)
<b>Total Financing Sources</b>	<b>23,844</b>	<b>692,328</b>	<b>716,172</b>	<b>10,288</b>	<b>662,744</b>	<b>673,032</b>
<b>Net Cost of Operations</b>	<b>(7,078)</b>	<b>(690,300)</b>	<b>(697,378)</b>	<b>(11,079)</b>	<b>(662,378)</b>	<b>(673,457)</b>
<b>Net Change</b>	<b>16,766</b>	<b>2,028</b>	<b>18,794</b>	<b>(791)</b>	<b>366</b>	<b>(425)</b>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>	<b>\$ 209,713</b>	<b>\$ 29,985</b>	<b>\$ 239,698</b>	<b>\$ 192,947</b>	<b>\$ 27,957</b>	<b>\$ 220,904</b>
<b>UNEXPENDED APPROPRIATIONS</b>						
Beginning Balances	\$ 0	\$161,729	\$161,729	\$ 0	\$ 154,820	\$ 154,820
Budgetary Financing Sources:						
Appropriations Received	0	599,912	599,912	0	590,921	590,921
Other Adjustments	0	(7,480)	(7,480)	0	(6,399)	(6,399)
Appropriations Used	0	(595,095)	(595,095)	0	(577,613)	(577,613)
<b>Total Budgetary Financing Sources</b>	<b>0</b>	<b>(2,663)</b>	<b>(2,663)</b>	<b>0</b>	<b>6,909</b>	<b>6,909</b>
<b>TOTAL UNEXPENDED APPROPRIATIONS</b>	<b>\$0</b>	<b>\$159,066</b>	<b>\$159,066</b>	<b>\$ 0</b>	<b>\$ 161,729</b>	<b>\$ 161,729</b>
<b>NET POSITION</b>	<b>\$ 209,713</b>	<b>\$ 189,051</b>	<b>\$ 398,764</b>	<b>\$ 192,947</b>	<b>\$ 189,686</b>	<b>\$ 382,633</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, 2016 and 2015

(in thousands)

	FY 2016	FY 2015
<b>BUDGETARY RESOURCES</b>		
Unobligated balance brought forward, October 1	\$ 93,817	\$ 77,448
Recoveries of unpaid prior year obligations	14,667	23,240
Other changes in unobligated balance (+ or -)	(1,493)	3,167
<b>Unobligated balance from prior year budget authority, net</b>	<b>106,991</b>	<b>103,855</b>
Appropriations (discretionary and mandatory)	617,222	610,668
Spending authority from offsetting collections (discretionary and mandatory)	133,021	136,422
<b>TOTAL BUDGETARY RESOURCES (SEE NOTE 1.T)</b>	<b>\$ 857,234</b>	<b>\$ 850,945</b>

<b>STATUS OF BUDGETARY RESOURCES</b>		
New Obligations and upward adjustments, total (Note 18)	\$ 749,924	\$ 757,128
<b>Unobligated balance, end of year:</b>		
Exempt from apportionment, unexpired accounts	95,678	79,937
Expired unobligated balance, end of year	11,632	13,880
<b>Total unobligated balance, end of year</b>	<b>107,310</b>	<b>93,817</b>
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 857,234</b>	<b>\$ 850,945</b>

<b>CHANGE IN OBLIGATED BALANCE</b>		
<b>Unpaid Obligations:</b>		
Unpaid obligations, brought forward, October 1 (gross)	\$ 227,901	\$ 241,887
New Obligations and upward adjustments	749,924	757,128
Outlays (gross) (-)	(735,175)	(747,874)
Recoveries of prior year unpaid obligations (-)	(14,667)	(23,240)
Unpaid obligations, end of year (gross)	227,983	227,901
<b>Uncollected Payments:</b>		
Uncollected customer payments from federal sources, brought forward, October 1 (-)	(9,800)	(18,949)
Change in uncollected customer payments from federal sources (+ or -)	5,003	9,149
Uncollected customer payments from federal sources, end of year (-)	(4,797)	(9,800)
<b>OBLIGATED BALANCE, START OF YEAR (NET)</b>	<b>\$ 218,101</b>	<b>\$ 222,938</b>
<b>OBLIGATED BALANCE, END OF YEAR (NET)</b>	<b>\$ 223,186</b>	<b>\$ 218,101</b>

<b>BUDGET AUTHORITY AND OUTLAYS, NET</b>		
Budget authority, gross (discretionary and mandatory)	750,243	\$ 747,090
Actual offsetting collections (discretionary and mandatory) (-)	(144,011)	(155,137)
Change in uncollected customer payments from federal sources (discretionary and mandatory) (+ or -)	5,003	9,149
Recoveries of Prior year paid obligations (discretionary and mandatory)	5,987	9,566
<b>BUDGET AUTHORITY, NET (DISCRETIONARY AND MANDATORY) (SEE NOTE 1.T)</b>	<b>\$ 617,222</b>	<b>\$ 610,668</b>
Outlays, gross (discretionary and mandatory)	735,175	\$ 747,874
Actual offsetting collections (discretionary and mandatory) (-)	(144,011)	(155,137)
Outlays, net (discretionary and mandatory)	591,164	592,737
Distributed offsetting receipts (-)	(324)	(306)
<b>AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)</b>	<b>\$ 590,840</b>	<b>\$ 592,431</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 programs and funds accepted and controlled by the Library of Congress Trust Fund Board (TFB).

The Library's programs and operations are subject to oversight by the Joint Committee on the Library, the oldest joint committee of the Congress, which is comprised of members of the U.S. House of Representatives and Senate. The Library is also subject to oversight by the U.S. House of Representatives Committee on House Administration and U.S. Senate Committee on Rules and Administration. 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 fund programs 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 2016 and 2015. These consolidated and combined financial statements include the accounts of all programs under the Library's control, which have been established and maintained to account for the resources of the Library. They were prepared from the Library's financial management system in accordance with Generally Accepted Accounting Principles (GAAP).

Fiduciary assets are not assets of the Library of Congress and are not recognized on the Balance Sheet, Statement of Net Cost, or Statement of Net Position (See Note 20).

Material intra-Library transactions and balances have been eliminated from the Consolidated Balance Sheets, the Consolidated Statements of Net Cost, and the Consolidated Statements of Changes in Net

Position. The Statement of Budgetary Resources is presented on a combined basis; therefore, intra-Library transactions and balances have not been eliminated from this statement.

As a legislative branch agency, the Library is not required to follow the executive agency accounting principles established by the Comptroller General under 31 U.S.C. §3511 or the standards developed by the Federal Accounting Standards Advisory Board (FASAB). As a legislative branch entity, the Library is not currently required to prepare general purpose financial reports and is not subject to any requirements by the FASAB's sponsors to follow FASAB GAAP. However, for purposes of financial management and reporting, the Library has issued Library of Congress Regulation (LCR) 1510, Financial Services, which adopts FASAB standards for financial reporting and internal controls in a manner consistent with a legislative agency, and insofar as practical, conforms to GAAP for federal agencies. The Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budgetary data into the overall federal government structure. The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers Financial Integrity Act, the Government Performance and Results Act, and the GPRM 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 2016 (and 2015) the statements include 4 (4) appropriations; 26 (26) revolving and gift revolving programs; 38 (38) reimbursable programs; 106 (107) TFB programs; and 132 (131) gift programs, 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 2016 and 2015 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)
- Books 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 fund programs that generate revenues from the sale of various products and services to the public and federal customers. Revolving fund and reimbursable program 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 and Programs, Federal Library and Information Network (FEDLINK) and Federal Research program.

- The Audio-Visual Duplication Services program 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 program performed decimal classification development. During fiscal 2015, program work and funding for Decimal Classification largely ceased. During fiscal 2016, the final balance was refunded.
- The Gift Shop program 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 program provides document reproduction and microfilming services.
- Special Events and Programs revolving 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 fund programs 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 (e.g., the Architect of the Capitol and the Government Printing Office) and executive branch agencies (e.g., the Office of Personnel Management (OPM) and the Department of the Treasury). Since these costs are not actually paid to the other agencies, an imputed financing source is recorded to offset these costs that are financed by the other federal agencies.

### ***Donation and Interest Revenue***

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

During fiscal years 2016 and 2015, donors provided in-kind donations for the Library's annual book festival. And in 2016, a donor provided software for the talking books program. 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. Deferred credits also consist of non-federal revenue receivables for orders, for which no budget authority has been given.

## **E. Gift and TFB Programs**

The Library administered gift and TFB programs with combined net asset value of approximately \$177.1 million and \$168.5 million during fiscal years 2016 and 2015, respectively. Funds are restricted as to their use, which must be in accordance with the terms of the gift agreement. In general, TFB programs are either temporarily restricted (principal may be spent) or permanently restricted (principal may not be spent). Additional restrictions may be imposed on TFB programs by the terms of an agreement or donor's will. Library fund managers administer and oversee the gift and TFB programs 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 programs, revolving, and deposit programs 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 Programs - The TFB determines the investment policy for the Library's gift and TFB programs. The policy provides the following options for investment of TFB programs:

- 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. The funds approved by the TFB's Investment Committee, as delegated by the Board, during fiscal 2016 are:
  - iShares Russell 1000
  - Robeco Large Cap Value
  - HS Management
  - Diamond Hill Investments
  - Touchstone Large Co. Growth Fund Inst. Class
  - Vaughan Nelson Investment Management
  - Frontier Capital Management
  - Europacific Growth Fund
  - Dodge & Cox International Fund
  - Lazard Emerging Markets Fund
  - Dodge & Cox Income Fund
  - MetWest 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
  - Wells Fargo Absolute Return Fund
  - Westwood Income Opportunities
  - FPA Crescent
  - PIMCO All Asset



and utilized during fiscal 2015:

- iShares Russell 1000
- Robeco Large Cap Value
- HS Management
- Diamond Hill Investments
- Institutional Capital Corporation (ICAP) Investments
- DSM Large Cap Growth Fund
- Vaughan Nelson Investment Management
- Frontier Capital Management
- Europacific Growth Fund
- Dodge & Cox International Fund
- Lazard Emerging Markets Fund
- Dodge & Cox Income Fund
- MetWest Total Return 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
- Wells Fargo Absolute Return
- Westwood Income Opportunities
- FPA Crescent
- PIMCO All Asset

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

Under 2 U.S.C. §158, up to \$10 million of the Library's TFB programs 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 program investments are obtained and held by the gift and TFB programs 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 U.S. 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 and Prepayments**

Accounts receivable primarily resulted from billings to other federal agencies under interagency agreements for contracting and/or accounts payable services related to database retrieval and other library services. The Library has established a percentage allowance for doubtful accounts against accounts receivable, based on past collection experience.

Prepayments are payments made to cover certain periodic expenses before those expenses are incurred and are usually immaterial to the financial statements. In 2015 and again in 2016 material prepayments were provided to another government agency for services related to storage facility modifications, lease, operations and maintenance costs. The Library will reduce the prepayment and recognize costs as the funds are expended by the other agency.

### **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 materials used to reproduce printed materials; sound recordings for both internal and external sales; and sales shop merchandise for resale. Sales shop merchandise is valued at cost or market, whichever is lower. The recorded values of inventory and operating materials are adjusted for the results of periodic physical counts.

### **L. Property and Equipment**

The Library capitalizes furniture and equipment at cost if the initial acquisition cost is \$50,000 or more (\$25,000 in fiscal years 2013 and prior). Depreciation is computed on a straight-line basis using estimated useful lives.

Property and equipment accounts are maintained in three categories of programs: appropriated, reimbursable and revolving. The appropriated programs 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 programs. Property and equipment purchased by FEDLINK, the Federal Research program, Document Reproduction and Microfilm Services, Audio-Visual Duplication Services, and the Cooperative Acquisitions Program are recorded in the revolving programs.

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 programs. Capitalized property and equipment acquired through gifts are recognized as donated revenue in the gift and TFB programs and transferred to the Library's appropriated programs, once the costs are complete and the property is placed in service. The Library records the donated property and equipment at its fair market value at the time of the gift.

Operating equipment is amortized over a 3- to 20-year period. Software includes software purchased from outside vendors and software defined as "internal use software" in accordance with SFFAS No. 10, "Accounting for Internal Use Software." Software is recorded with an estimated useful life of three years or more and a value of at least \$750,000 (\$250,000 per item acquired in fiscal years 2011 to 2013, \$100,000 per item acquired in fiscal years 1998 to 2010).

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

Land and buildings are excluded from the Library's property and equipment accounts because they are under the custody and control of the Architect of the Capitol. This arrangement encompasses four Capitol Hill buildings (the Thomas Jefferson, James Madison, John Adams Buildings, and the Special Facilities Center), a secondary storage facility at Fort Meade, Maryland, and the Packard Campus for Audio-Visual Conservation in Culpeper, Virginia. The Architect receives an appropriation from the Congress to fund maintenance, care, and operations of the Library's buildings and grounds. Costs associated with the acquisition and maintenance of these buildings is accounted for by the Architect. However, the Library has recorded the inter-entity cost and related imputed financing source in its books. The Library does capitalize and depreciate leasehold improvements to its facilities as long as the improvements were made using the Library's funding sources and the acquisition cost is at least \$250,000 (\$100,000 for fiscal years 2013 and prior).

## **M. Library Collections and Heritage Assets**

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 other 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, 2016 and 2015, the Library had 91 collections for both years, managed by its custodial units.

The collections are organized into major categories based primarily on how the Library manages the collections. The units which managed the collections are Library Services and Law Library in 2016 and 2015.

	September 30, 2015	Added	Removed	September 30, 2016
Library Services	83	1		84
Law Library	4			4
Shared Custody (LS & LL)	4		1	3
Total	91	1	1	91

The cost of acquiring additions to the collections is expensed, in the period 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. Deferred Maintenance and Repairs

The costs of maintenance and repairs are not included in the cost of capitalized property. Deferred maintenance and repairs (DM&R) are those which are delayed for a future period. Library buildings are considered owned by the Architect of the Capitol and any associated DM&R is measured and reported by that agency. The Library policy is to ensure critical systems are maintained and operated in a safe and effective manner. The Library has maintenance agreements for most equipment and software. The Library does not defer any material amount of maintenance for equipment, furniture or software. Therefore, no periodic assessment is performed.

Impaired equipment or furniture having a significant and permanent decline in the service utility of the item is disposed of. The Library does not retain any material amount of impaired general PP&E property.

Management considers the content of the Library's collections as Heritage Assets in whatever form. An assessment of the condition of Heritage Assets is included in the Management Report section of these financial statements.

## O. 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.

## **P. 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.

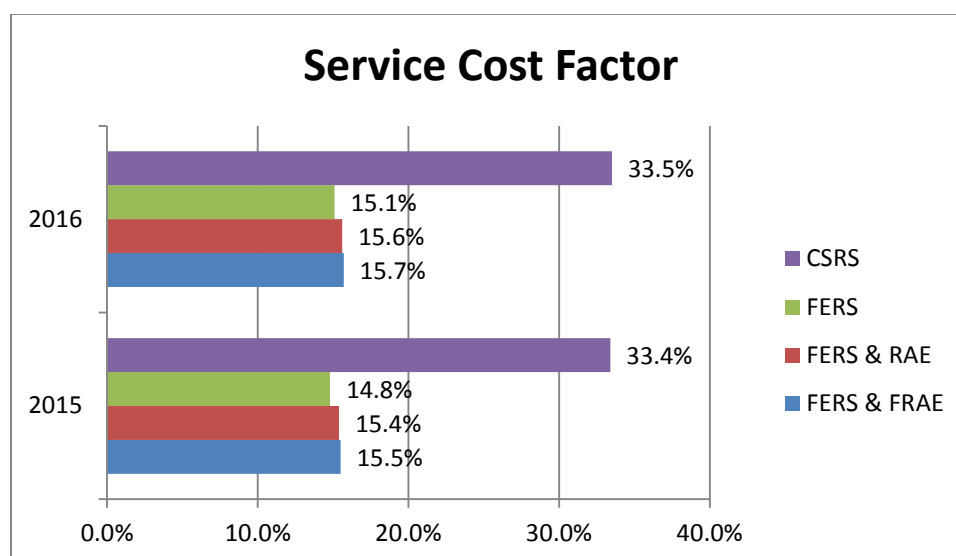
Approximately 12% and 13% of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2016 and 2015, respectively, to which the Library makes contributions equal to 7.0% of pay. Of those participating in CSRS, approximately 14% during fiscal years 2016 and 2015 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 85% and 82% of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2016 and 2015, respectively, to which the Library's normal contribution was 13.7% and 13.2% of pay during fiscal years 2016 and 2015. Of those participating in FERS during fiscal years 2016 and 2015, approximately 16% and 11%, respectively, were under the revised annuity (FERS-Revised Annuity Employees (RAE) and FERS-Further Revised Annuity Employees (FRAE)) to which the agency contribution rate was 11.9% and 11.1% during fiscal years 2016 and 2015. Additionally, for employees under FERS, the Library contributes an automatic 1% of employee's pay, plus matches employee Thrift Savings Plan (TSP) contributions up to 4% of pay (matched dollar-for-dollar on the first 3% of pay and 50 cents on the dollar for the next 2% of pay). Under FERS, the employee is also covered by FICA to which the Library contributes the employer's matching share of 6.2%.

Approximately 3% and 4% of the Library's employees were covered only by FICA during fiscal years 2016 and 2015, respectively, to which the Library contributes the employer's matching share of 6.2%.

The actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability of Social Security, FERS and CSRS is not allocated to individual Federal departments and agencies. However, in accordance with SFFAS No. 5, "Accounting for Liabilities of the Federal Government," current year expenses were recorded for the service cost of the Library's employee retirement benefits.

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.



## Q. Federal Government Transactions

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

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

### Services Provided to other Federal Agencies:

- The Library is authorized to provide to other federal libraries and agencies services such as automated library information and other database retrieval services through database vendors

and in-house research studies. These services are provided on a cost reimbursement basis and are billed in advance of providing the services. At year-end the Library estimates the amount received in advance (Advances from Others - Intragovernmental) and the amount to be received for services provided (Accounts Receivable - Intragovernmental).

- The Library is authorized to provide to other legislative branch agencies accounting services and/or financial system hosting services. These services are provided on a cost reimbursement basis in accordance with the Economy Act.

#### **Services Provided by other Federal Agencies:**

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

- The Department of Agriculture's National Finance Center (NFC) processes the Library's personnel, payroll, and employee benefits accounting transactions.
- The Library utilizes the services provided in the Department of States' International Cooperative Administrative Support Services (ICASS) system to support the Library's six overseas field offices.
- General Services Administration (GSA) provides building and vehicle leasing services for the Library.
- Architect of the Capitol provided services related to a storage facility modification, lease and maintenance.

#### **R. Related Party Organizations**

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

1. **Telephone Pioneers of America** - The Telephone Pioneers is a large industry-related organization that voluntarily repairs sound reproduction machines for the blind and physically handicapped program. Approximately 1,500 Telephone Pioneers (retirees from AT&T and other telecom companies) and Elfuns (General Electric volunteers) donate their time to repair the machines.
2. **Library of Congress Child Care Association (LCCCA)** - The LCCCA is a nonprofit corporation under the District of Columbia's Nonprofit Corporation Act. It was granted 501(c)(3) status by the Internal Revenue Service on August 31, 1992, and currently operates as the "Little Scholars Child Development Center." The center is located on the ground floor of the Library's Special Facilities Center, 601 East Capitol Street, District of Columbia. The center provides childcare for Library employees and other federal and non-federal employees. Its operations, management, and employees are the responsibility of the LCCCA and not the Library. However, the Library and the Architect of the Capitol support the center with equipment, free space, cleaning and maintenance of grounds and building, utilities, local telephone service, and security. The value of the services provided by the Library cannot be readily determined. In addition, the Library, in accordance with Public Law 106-554, pays the government contributions for individuals

receiving health, life, and retirement benefits provided by the Office of Personnel Management. The Library provides an official who is a non-voting representative on the center's Board of Directors and who acts as a liaison with the Library.

3. **The Archer M. Huntington Charitable Trust – Beneficial Interest in Perpetual Trust** - This charitable trust was established in 1936 and is controlled and invested by the Bank of New York. The assets of the endowment are not a part of the TFB and the board's only control over its investment activities is through the Librarian of Congress' role as trustee. The trust is defined as a split-interest agreement. The Library is entitled to one-half of the income from the trust for perpetuity, which is used to support a rotating consultantship to bring "distinguished men of letters . . ." to the Library. Currently, the income assists in the funding of a "Poet Laureate" position, the acquisition of materials for the Library's Hispanic collections, and the promotion of activities of the Hispanic Division, particularly those that relate to Spain, Portugal and Latin America.

In accordance with FASB ASC 958-605-30-14, in fiscal years 2016 and 2015, the Library recorded the fair value of the beneficial interest in this perpetual trust. The fair value of a perpetual trust held by a third party can generally be measured using the fair value of the assets contributed to the trust, unless other facts and circumstances indicate the amount of the beneficial interest is substantially different. The Library has the irrevocable right to receive one-half of the income earned on these trust assets in perpetuity, but the Library will never receive the assets held in trust.

4. **Ira and Leonore Gershwin Trust Fund and Related Charitable Trust** - Under the will of Mrs. Leonore Gershwin, the TFB is the beneficiary of 37.5% of Mrs. Gershwin's "1987 Trust." The will established the Trust fbo The Library of Congress 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 trust does not belong to the Library but is a separate entity administered by trustees. The net income of the 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.

## S. Statement of Net Cost

Effective October 1, 2015, the Library of Congress underwent a major realignment of operations to support its institutional vision and new strategic plan. The realignment was designed to strengthen information technology functions at the Library, elevate outreach efforts, consolidate management of digital and analog collections and provide an improved support structure for staff. Due to the adoption of the realignment, 2016 Statement of Net Cost balances are not comparable with balances presented for 2015.



#### **T. 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 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 2016 and fiscal 2015 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 2015 were changed.

#### **U. Subsequent Events**

SFFAS No. 39, "Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statements on Auditing Standards", defines subsequent events as events or transactions that affect the financial statements and that occur subsequent to the end of the reporting period but before the financial report is issued. Some of these transactions and events require adjustment to the financial statements, if the events 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 the financial statements. Subsequent to the end of the year, the Library made a final determination to discontinue a software project and determined the asset was impaired. The facts reflected conditions that existed as of 9/30/2016. Therefore, an adjustment was recorded and has been reflected in these financial statements as of 9/30/2016.

**NOTE 2****FUND BALANCE WITH TREASURY****A. Fund Balance with Treasury as of September 30, 2016 and 2015 is summarized as follows:**

	(in thousands)	
	<b>FY 2016</b>	<b>FY 2015</b>
Appropriated Programs	\$ 187,987	\$ 184,746
Revolving and Reimbursable Programs	112,877	98,686
Gift and TFB Programs <sup>1</sup>	15,770	15,374
Deposit and Other Programs	988	536
<b>TOTAL</b>	<b>\$ 317,622</b>	<b>\$ 299,342</b>

<sup>1</sup> As of September 30, 2016 and 2015, the gift and TFB programs 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% for both fiscal years.

**B. Status of Fund Balance with Treasury**

	(in thousands)	
	<b>FY 2016</b>	<b>FY 2015</b>
Unobligated Balances – Available	\$ 71,415	\$ 56,745
Unobligated Balances – Unavailable	21,646	23,717
Obligated Balances Not Yet Disbursed	223,553	218,324
Non-budgetary	1,008	556
<b>TOTAL</b>	<b>\$ 317,622</b>	<b>\$ 299,342</b>

<b>NOTE 3</b>	<b>INVESTMENTS, NET</b>
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Investments as of September 30, 2016 and 2015, are as follows:

(in thousands)

<b>FY 2016</b>	<b>Intragovernmental Investments (Non-Marketable, Market-Based)</b>	<b>Other Investments (Private Sector)</b>	<b>Total</b>
Face Value	\$ 30,276	\$	\$ 30,276
Cost		125,662	125,662
Unamortized Premium			
Unrealized Discount	(11)		(11)
Interest Receivable			
<b>INVESTMENTS, NET</b>	<b>\$ 30,265</b>	<b>\$ 125,662</b>	<b>\$ 155,927</b>
<b>MARKET VALUE</b>	<b>\$ 30,808</b>	<b>\$ 128,241</b>	<b>\$ 159,049</b>

(in thousands)

<b>FY 2015</b>	<b>Intragovernmental Investments (Non-Marketable, Market-Based)</b>	<b>Other Investments (Private Sector)</b>	<b>Total</b>
Face Value	\$ 29,236	\$ 0	\$ 29,236
Cost	0	125,078	125,078
Unamortized Premium	0	0	0
Unrealized Discount	(1)	0	(1)
Interest Receivable	0	0	0
<b>INVESTMENTS, NET</b>	<b>\$ 29,235</b>	<b>\$ 125,078</b>	<b>\$ 154,313</b>
<b>MARKET VALUE</b>	<b>\$ 29,821</b>	<b>\$ 121,566</b>	<b>\$ 151,387</b>

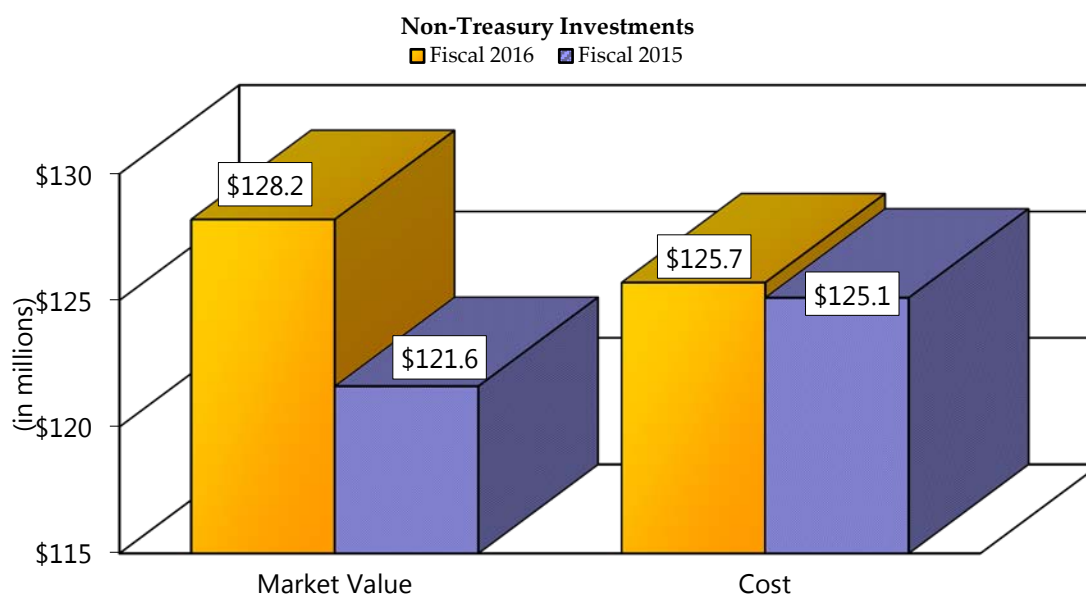
### A. Intragovernmental Investments

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 Programs investment maturity dates for fiscal years 2016 and 2015 range from December 31, 2015, to December 15, 2016, and November 13, 2014, to December 10, 2015, respectively, and interest rates for the same fiscal years range from 0.005% to 0.305% and 0.005% to 0.095%, 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, 2016 and 2015, are as follows:



The 2015 non-treasury cost amounts for Note 3 have been restated.

## NOTE 4 RECEIVABLES

The breakdown of consolidated gross and net accounts receivable as of September 30, 2016 and 2015 are as follows:

### A. Accounts Receivable

	(in thousands)	
	FY 2016	FY 2015
Intragovernmental:		
Accounts Receivable, Gross	\$ 4,430	\$ 9,581
Less: Allowance for Doubtful Accounts	(17)	(388)
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 4,413</b>	<b>\$ 9,193</b>
With the Public:		
Accounts Receivable, Gross	210	435
Less: Allowance for Doubtful Accounts	(4)	(8)
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 206</b>	<b>\$ 427</b>

## B. Pledges Receivable

As of September 30, 2016 and 2015, the Library had unconditional pledges of contributions totaling \$7.2 million and \$8.3 million, which were discounted through fiscal 2033 at market discount rates and included in the statement of financial position at their discounted value of \$8.0 million and \$7.8 million, respectively.

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

(in thousands)		
	FY 2016	FY 2015
2016	\$ 0	\$ 1,255
2017	1,251	1,177
2018	1,178	1,146
2019	985	1,108
2020	177	151
2021 and thereafter	4,445	2,953
<b>TOTAL</b>	<b>\$ 8,036</b>	<b>\$ 7,790</b>

<b>NOTE 5</b>	<b>PROPERTY AND EQUIPMENT</b>
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Property and equipment that were capitalized as of September 30, 2016 and 2015, are as follows:

(in thousands)						
Classes of Property and Equipment	FY 2016			FY 2015		
	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Operating Equipment	\$ 98,453	\$ 82,104	\$ 16,349	\$ 93,853	\$ 75,949	\$ 17,904
Software	77,961	63,552	14,409	76,387	59,757	16,630
Furniture & Furnishings	2,218	1,307	911	1,966	1,211	755
Leasehold Improvements	44,402	31,373	13,029	42,561	28,664	13,897
Leasehold Improvements-In Progress	4,859	0	4,859	64	0	64
<b>TOTAL</b>	<b>\$ 227,893</b>	<b>\$ 178,336</b>	<b>\$ 49,557</b>	<b>\$ 214,831</b>	<b>\$ 165,581</b>	<b>\$ 49,250</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 2016	FY 2015
Intragovernmental Non-Entity Assets	\$ 0	\$ 0
Accounts Receivable-With the Public	2	13
Total Non-Entity Assets	\$ 2	\$ 13
Total Entity Assets	\$ 551,488	\$ 527,994
<b>TOTAL ASSETS</b>	<b>\$ 551,490</b>	<b>\$ 528,007</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, 2016 and 2015.

### B. Operating Leases

The Library leases office space and vehicles from the General Services Administration and warehouse space from the Architect of the Capitol 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, warehouse space, vehicles, and equipment for fiscal years 2016 and 2015 amounted to \$5.7 million and \$8.8 million, respectively.

Under existing commitments as of September 30, 2016, estimated future minimum lease payments through fiscal year 2021 are as follows:

	(in thousands)	
	FY 2016	FY 2015
2016	\$ 0	\$ 6,532
2017	6,600	6,668
2018	6,551	6,437
2019	6,561	6,491
2020	6,493	6,505
2021 and thereafter	38,965	19,607
<b>TOTAL ESTIMATED FUTURE LEASE PAYMENTS</b>	<b>\$ 65,170</b>	<b>\$ 52,240</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 \$1.6 million and \$1.7 million of unbilled or unpaid workers' compensation costs as of September 30, 2016, and 2015, respectively. The amount owed to DOL is reported on the Library's Balance Sheet as an intragovernmental liability. The Library also established an estimated unfunded liability payable to employees, for future costs based on historical claims rates. The estimated future unfunded liability is \$7.8 million and \$8.0 million as of September 30, 2016 and 2015, respectively, and is based on a ten-year projection. This liability is recorded on the Balance Sheet as a liability with the public.

<b>NOTE 9</b>	<b>CONTINGENT LIABILITIES</b>
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Several claims against the Library relating to employment matters are pending at the administrative level or in court. The estimated loss for the claims that are reasonably possible is \$100,000. 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.

<b>NOTE 10</b>	<b>OTHER LIABILITIES</b>
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Other Liabilities as of September 30, 2016 and 2015, are comprised of the following:

	(in thousands)	
	FY 2016	FY 2015
Other Liabilities-Intragovernmental:		
Liability to Treasury General Fund	\$ 2	\$ 13
Total Intragovernmental	2	13
Deferred Credits	6	24
Advances From the Public	4,708	4,383
Total With the Public	4,714	4,407
<b>TOTAL</b>	<b>\$ 4,716</b>	<b>\$ 4,420</b>

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

	(in thousands)	
	<b>FY 2016</b>	<b>FY 2015</b>
Liabilities Covered by Budgetary Resources	\$ 117,878	\$ 110,363
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental	1,599	1,712
With the Public	33,249	33,299
<b>TOTAL</b>	<b>\$ 152,726</b>	<b>\$ 145,374</b>

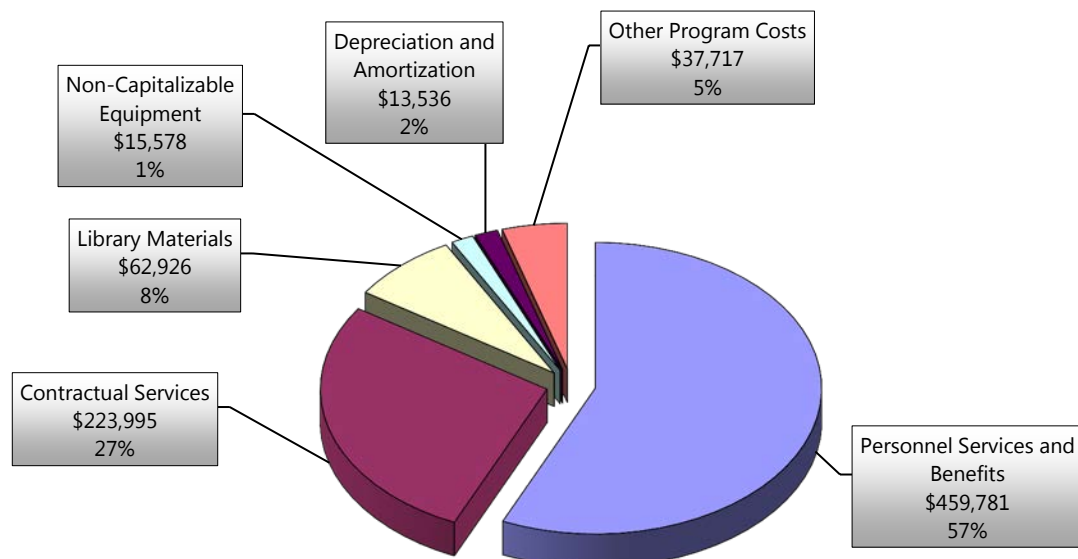
Liabilities covered by budgetary resources include accounts payable, advances from others, accrued funded payroll and benefits, custodial liabilities, deposit account liabilities, advances from the public, and deferred credits.

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

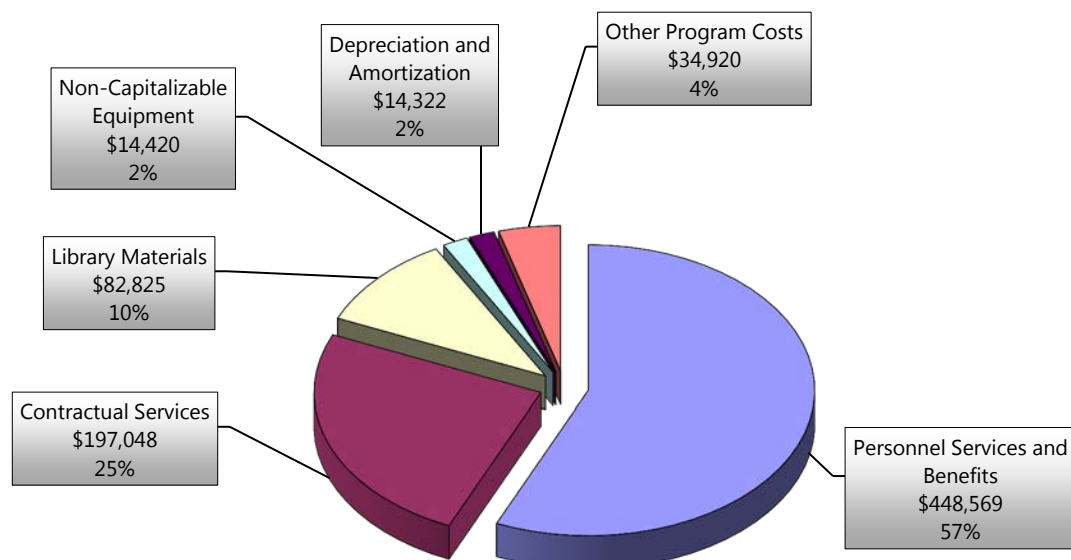


**NOTE 12****PROGRAM COSTS BY BUDGET OBJECT CLASSIFICATION**

(in thousands)

**Fiscal 2016 Program Costs by Budget Object Classification**

(in thousands)

**Fiscal 2015 Program Costs by Budget Object Classification**

The Library's collections are classified as Heritage Assets. \$27.2 million and \$30.1 million of the amount designated as Library Materials above represents the fiscal years 2016 and 2015 cost incurred by the Library for Heritage Assets.

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

	(in thousands)	
	<b>FY 2016</b>	<b>FY 2015</b>
Commerce and Housing Credit	\$ 63,836	\$ 56,237
Education, Training, Employment, and Social Services	632,027	619,819
General Government	117,670	116,048
<b>TOTAL</b>	<b>\$ 813,533</b>	<b>\$ 792,104</b>

**B. Earned Revenue by Functional Classification**

	(in thousands)	
	<b>FY 2016</b>	<b>FY 2015</b>
Commerce and Housing Credit	\$ 41,729	\$ 37,972
Education, Training, Employment, and Social Services	74,203	80,504
General Government	223	171
<b>TOTAL</b>	<b>\$ 116,155</b>	<b>\$ 118,647</b>

**NOTE 14****EXCHANGE REVENUES**

In accordance with 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. OMB Circular No. A-25 requires that user charges be sufficient to recover the full costs to the federal government. Full costs include all direct and indirect costs to any part of the federal government of providing the good or service, including unreimbursed inter-entity costs.

Were the Library to increase fees and prices to recover full costs to the government for providing goods and services in its business-like activities, this would in some cases reduce the quantity of goods and services demanded. It is not practicable to provide reasonable estimates regarding (1) revenue foregone from charging fees that do not recover full costs to the government and (2) to what extent the quantity of goods and services demanded would change as a result of changes in prices and fees. Under the Copyright Act, the Copyright Office is required to collect fees for Copyright registrations. The Act does not require the recovery of the full costs of operations, but rather the Register of Copyrights is authorized to fix fees at a level not more than necessary to recover reasonable costs incurred for services plus a reasonable adjustment for inflation. Fees should also be fair and equitable and give due consideration to the objectives of the copyright system.

**NOTE 15****PROGRAM COSTS AND EARNED REVENUE  
FOR REVOLVING FUND PROGRAMS**

		(in thousands)	
		<b>FY 2016</b>	<b>FY 2015</b>
<b>Audio-Visual Duplication Services:</b>	Program Cost	\$ 147	\$ 177
	Less: Earned Revenue	(128)	(113)
	<b>Net Program Cost</b>	<b>19</b>	<b>64</b>
<b>Cooperative Acquisitions Program:</b>	Program Cost	2,481	2,786
	Less: Earned Revenue	(2,824)	(2,785)
	<b>Net Program Cost</b>	<b>(343)</b>	<b>1</b>
<b>Decimal Classification:</b>	Program Cost	0	0
	Less: Earned Revenue	7	0
	<b>Net Program Cost</b>	<b>7</b>	<b>0</b>
<b>Document Reproduction and Microfilm Services:</b>	Program Cost	906	1,068
	Less: Earned Revenue	(495)	(574)
	<b>Net Program Cost</b>	<b>411</b>	<b>494</b>
<b>Gift Shop Operations:</b>	Program Cost	1,786	1,837
	Less: Earned Revenue	(2,100)	(2,031)
	<b>Net Program Cost</b>	<b>(314)</b>	<b>(194)</b>
<b>Federal Research:</b>	Program Cost	3,302	3,659
	Less: Earned Revenue	(2,655)	(2,836)
	<b>Net Program Cost</b>	<b>647</b>	<b>823</b>
<b>FEDLINK:</b>	Program Cost	59,847	66,932
	Less: Earned Revenue	(58,812)	(65,432)
	<b>Net Program Cost</b>	<b>1,035</b>	<b>1,500</b>
<b>Special Events:</b>	Program Cost	4,024	3,747
	Less: Earned Revenue	(1,381)	(1,075)
	<b>Net Program Cost</b>	<b>2,643</b>	<b>2,672</b>
<b>Total Program Cost</b>		<b>72,493</b>	<b>80,206</b>
<b>Less: Total Earned Revenue</b>		<b>(68,388)</b>	<b>(74,846)</b>
<b>TOTAL PROGRAM COSTS</b>		<b>\$ 4,105</b>	<b>\$ 5,360</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 2016	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
Library Services	\$ 123,809	\$ 50	\$ 244,136	\$ 146	\$ 368,141
National and International Outreach Program	21,776	43	164,994	0	186,813
Law Library	8,194	4	22,829	0	31,027
Copyright Office	19,538	32	61,208	0	80,778
Congressional Research Service	33,223	55	113,496	0	146,774
<b>TOTAL</b>	<b>\$ 206,540</b>	<b>\$ 184</b>	<b>\$ 606,663</b>	<b>\$ 146</b>	<b>\$ 813,533</b>

(in thousands)

FY 2015	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
Library Services	\$ 111,159	\$ 29	\$ 286,427	\$ 15	\$ 397,630
Law Library	6,385	2	20,073	0	26,460
Copyright Office	15,489	12	54,490	0	69,991
Congressional Research Service	26,120	6	113,059	0	139,185
National Library Service for the Blind and Physically Handicapped	6,511	4	53,149	0	59,664
Revolving and Reimbursable Programs	5,684	21	93,469	0	99,174
<b>TOTAL</b>	<b>\$ 171,348</b>	<b>\$ 74</b>	<b>\$ 620,667</b>	<b>\$ 15</b>	<b>\$ 792,104</b>

**NOTE 17****FUNDS FROM DEDICATED COLLECTIONS**

SFFAS No. 43, "Funds from Dedicated Collections: Amending the SFFAS #27, Identifying and Reporting Earmarked Funds," defines funds from dedicated collections as those being financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the government's general revenues. The Library's consolidated financial statements include the results of operations and financial position of its funds identified as funds from dedicated collections. The Library's funds from dedicated collections are presented among the following classifications:

- Collections of fees authorized annually for use by appropriations act for:
  - The Cataloging Distribution Service (CDS), the distribution arm for the Library of Congress bibliographic data and related technical publications. Pursuant to 2 U.S.C. §150, CDS sells its products to libraries throughout the United States and around the world and charges "...a price which will cover their costs plus ten per centum added." CDS earned revenues were \$2.9 million and \$2.6 million for fiscal years 2016 and 2015, 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 \$36.5 million and \$33.2 million for fiscal years 2016 and 2015, 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 and Programs (these programs are discussed further in Notes 1.D. and 15);
- Gift and TFB Programs authorized by 2 U.S.C. §§154-163 (and discussed further in Note 1.E.). Gift and TFB Programs cash donations and other realized revenues were \$13.1 million and \$10.6 million for fiscal years 2016 and 2015, respectively;
- Copyright Licensing Expenses revenues of \$3.7 million and \$3.3 million for fiscal years 2016 and 2015, 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, 2016, is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

FY 2016 (Combined)	(in thousands)				
	Offsetting Collections Programs	Public Revolving Programs	Gift and TFB Programs	Copyright Licensing Expenses	Total Dedicated Collections
<b>Balance Sheet:</b>					
Fund Balance with Treasury	\$ 31,444	\$ 11,189	\$ 13,363	\$ 0	\$ 55,996
Investments in U.S. Treasury Securities	0	0	23,835	0	23,835
Other Assets	1,493	480	138,797	0	140,770
<b>TOTAL ASSETS</b>	<b>\$ 32,937</b>	<b>\$ 11,669</b>	<b>\$ 175,995</b>	<b>\$ 0</b>	<b>\$ 220,601</b>
Liabilities	\$ 4,832	\$ 5,354	\$ 702	\$ 0	\$ 10,888
Cumulative Results of Operations	28,105	6,315	175,293	0	209,713
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 32,937</b>	<b>\$ 11,669</b>	<b>\$ 175,995</b>	<b>\$ 0</b>	<b>\$ 220,601</b>
<b>Statement of Net Cost:</b>					
Program Costs	\$ 33,261	\$ 9,832	\$ 13,346	\$ 3,711	\$ 60,150
Less: Earned Revenue	(39,420)	(9,856)	(85)	(3,711)	(53,072)
<b>NET COST OF OPERATIONS</b>	<b>\$ (6,159)</b>	<b>\$ (24)</b>	<b>\$ 13,261</b>	<b>\$ 0</b>	<b>\$ 7,078</b>
<b>Statement of Changes in Net Position:</b>					
Net Position, Beginning	\$ 20,189	\$ 5,881	\$ 166,877	\$ 0	\$ 192,947
Net Cost	6,159	24	(13,261)	0	(7,078)
Non-Exchange Revenues and Donation Receipts	0	0	10,082	0	10,082
Other Financing Sources	1,757	410	11,595	0	13,762
<b>Change in Net Position</b>	<b>7,916</b>	<b>434</b>	<b>8,416</b>	<b>0</b>	<b>16,766</b>
<b>NET POSITION, ENDING</b>	<b>\$ 28,105</b>	<b>\$ 6,315</b>	<b>\$ 175,293</b>	<b>\$ 0</b>	<b>\$ 209,713</b>

Fiscal data as of and for the year ended September 30, 2015, is summarized below.

FY 2015 (Combined)	(in thousands)				
	Offsetting Collections Programs	Public Revolving Programs	Gift and TFB Programs	Copyright Licensing Expenses	Total Dedicated Collections
<b>Balance Sheet:</b>					
Fund Balance with Treasury	\$ 22,464	\$ 10,190	\$ 13,112	\$ 0	\$ 45,766
Investments in U.S. Treasury Securities	0	0	22,906	0	22,906
Other Assets	1,963	583	131,809	0	134,355
<b>TOTAL ASSETS</b>	<b>\$ 24,427</b>	<b>\$ 10,773</b>	<b>\$ 167,827</b>	<b>\$ 0</b>	<b>\$ 203,027</b>
Liabilities	\$ 4,238	\$ 4,892	\$ 950	\$ 0	\$ 10,080
Cumulative Results of Operations	20,189	5,881	166,877	0	192,947
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 24,427</b>	<b>\$ 10,773</b>	<b>\$ 167,827</b>	<b>\$ 0</b>	<b>\$ 203,027</b>
<b>Statement of Net Cost:</b>					
Program Costs	\$ 31,765	\$ 10,074	\$ 14,904	\$ 3,319	\$ 60,062
Less: Earned Revenue	(35,837)	(9,669)	(158)	(3,319)	(48,983)
<b>NET COST OF OPERATIONS</b>	<b>\$ (4,072)</b>	<b>\$ 405</b>	<b>\$ 14,746</b>	<b>\$ 0</b>	<b>\$ 11,079</b>
<b>Statement of Changes in Net Position:</b>					
Net Position, Beginning	\$ 14,358	\$ 5,640	\$ 173,740	\$ 0	\$ 193,738
Net Cost	4,072	(405)	(14,746)	0	(11,079)
Non-Exchange Revenues and Donation Receipts	0	0	8,081	0	8,081
Other Financing Sources	1,759	646	(198)	0	2,207
<b>Change in Net Position</b>	<b>5,831</b>	<b>241</b>	<b>(6,863)</b>	<b>0</b>	<b>(791)</b>
<b>NET POSITION, ENDING</b>	<b>\$ 20,189</b>	<b>\$ 5,881</b>	<b>\$ 166,877</b>	<b>\$ 0</b>	<b>\$ 192,947</b>

<b>NOTE 18</b>	<b>BUDGETARY RESOURCES (See note 1.T)</b>
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Budgetary resources are classified as follows:

(in thousands)

	FY 2016			FY 2015		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<b><i>Budgetary Resources:</i></b>						
Unobligated balance brought forward, October 1	\$ 19,554	\$ 74,263	\$ 93,817	\$ 16,335	\$ 61,113	\$ 77,448
Recoveries of unpaid prior year obligations	5,494	9,173	14,667	8,207	15,033	23,240
Other changes in unobligated balance (+ or -)	(6,823)	5,330	(1,493)	(4,747)	7,914	3,167
<b>Unobligated balance from prior year budget authority, net</b>	<b>18,225</b>	<b>88,766</b>	<b>106,991</b>	<b>19,795</b>	<b>84,060</b>	<b>103,855</b>
Appropriations (discretionary and mandatory)	599,912	17,310	617,222	590,921	19,747	610,668
Spending authority from offsetting collections (discretionary and mandatory)	145	132,876	133,021	(9)	136,431	136,422
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 618,282</b>	<b>\$ 238,952</b>	<b>\$ 857,234</b>	<b>\$ 610,707</b>	<b>\$ 240,238</b>	<b>\$ 850,945</b>

<b><i>Status of Budgetary Resources:</i></b>						
New Obligations and upward adjustments	\$ 595,973	\$ 153,951	\$ 749,924	\$ 591,153	\$ 165,975	\$ 757,128
<b>Unobligated balance, end of year:</b>						
Exempt from apportionment, unexpired accounts	11,129	84,549	95,678	6,094	73,843	79,937
Expired unobligated balance, end of year	11,180	452	11,632	13,460	420	13,880
<b>Total unobligated balance, end of year</b>	<b>22,309</b>	<b>85,001</b>	<b>107,310</b>	<b>19,554</b>	<b>74,263</b>	<b>93,817</b>
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 618,282</b>	<b>\$ 238,952</b>	<b>\$ 857,234</b>	<b>\$ 610,707</b>	<b>\$ 240,238</b>	<b>\$ 850,945</b>



(in thousands)

	FY 2016			FY 2015		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<b>Change in Obligated Balance:</b>						
<b>Unpaid obligations:</b>						
Unpaid obligations, brought forward, October 1 (gross)	\$ 165,448	\$ 62,453	\$ 227,901	\$ 169,787	\$ 72,100	\$ 241,887
New Obligations and upward adjustments	595,973	153,951	749,924	591,153	165,975	757,128
Outlays (gross) (-)	(589,848)	(145,327)	(735,175)	(587,285)	(160,589)	(747,874)
Recoveries of prior year unpaid obligations (-)	(5,494)	(9,173)	(14,667)	(8,207)	(15,033)	(23,240)
<b>UNPAID OBLIGATIONS, END OF YEAR (GROSS)</b>	<b>166,079</b>	<b>61,904</b>	<b>227,983</b>	<b>165,448</b>	<b>62,453</b>	<b>227,901</b>
<b>Uncollected Payments:</b>						
Uncollected customer payments from federal sources, brought forward, October 1 (-)	(223)	(9,577)	(9,800)	(231)	(18,718)	(18,949)
Change in uncollected customer payments from federal sources (+ or -)	(144)	5,147	5,003	8	9,141	9,149
<b>UNCOLLECTED CUSTOMER PAYMENTS FROM FEDERAL SOURCES, END OF YEAR (-)</b>	<b>(367)</b>	<b>(4,430)</b>	<b>(4,797)</b>	<b>(223)</b>	<b>(9,577)</b>	<b>(9,800)</b>
<b>OBLIGATED BALANCE, START OF YEAR (NET)</b>	<b>165,225</b>	<b>52,876</b>	<b>218,101</b>	<b>169,556</b>	<b>53,382</b>	<b>222,938</b>
<b>OBLIGATED BALANCE, END OF YEAR (NET)</b>	<b>\$ 165,712</b>	<b>\$ 57,474</b>	<b>\$ 223,186</b>	<b>\$ 165,225</b>	<b>\$ 52,876</b>	<b>\$ 218,101</b>

<b>Budget Authority and Outlays, Net:</b>						
Budget authority, gross (discretionary and mandatory)	\$ 600,057	\$ 150,186	\$ 750,243	\$ 590,912	\$ 156,178	\$ 747,090
Actual offsetting collections (discretionary and mandatory) (-)	(658)	(143,353)	(144,011)	(1,651)	(153,486)	(155,137)
Change in uncollected customer payments from federal sources (discretionary and mandatory) (+ or -)	(144)	5,147	5,003	8	9,141	9,149

(in thousands)

	FY 2016			FY 2015		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
Recoveries of prior year paid obligations (discretionary and mandatory)	657	5,330	5,987	1,652	7,914	9,566
<b>Budget authority, net (discretionary and mandatory):</b>	<b>\$ 599,912</b>	<b>\$ 17,310</b>	<b>\$ 617,222</b>	<b>\$ 590,921</b>	<b>\$ 19,747</b>	<b>\$ 610,668</b>
Outlays, gross (discretionary and mandatory)	\$ 589,848	\$ 145,327	\$ 735,175	\$ 587,285	\$ 160,589	\$ 747,874
Actual offsetting collections (discretionary and mandatory) (-)	(658)	(143,353)	(144,011)	(1,651)	(153,486)	(155,137)
<b>Outlays, net (discretionary and mandatory)</b>	<b>589,190</b>	<b>1,974</b>	<b>591,164</b>	<b>585,634</b>	<b>7,103</b>	<b>592,737</b>
Distributed offsetting receipts (-)	0	(324)	(324)	0	(306)	(306)
<b>AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)</b>	<b>\$ 589,190</b>	<b>\$ 1,650</b>	<b>\$ 590,840</b>	<b>\$ 585,634</b>	<b>\$ 6,797</b>	<b>\$ 592,431</b>

A. For TFB programs, approximately \$10.0 million and \$9.9 million of unobligated authority for fiscal years 2016 and 2015, respectively, at the donor's request, is restricted from being spent on program costs (income from investing restricted donations under the Library's real rate of return policy can be spent on program costs). These amounts are invested either in the permanent loan or in Treasury securities. An additional \$58.6 million and \$58.6 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2016 and 2015, respectively.

B. Obligated undelivered orders, end of period:

(in thousands)

	FY 2016	FY 2015
Paid	\$ 10,258	\$ 8,354
Unpaid	167,105	172,581
<b>TOTAL UNDELIVERED ORDERS, END OF PERIOD</b>	<b>\$ 177,363</b>	<b>\$ 180,935</b>

C. Obligations incurred – Amounts Exempt from Apportionment:

(in thousands)

	FY 2016	FY 2015
Direct – Appropriated	\$ 595,973	\$ 591,153
Direct – Non Appropriated	20,073	27,436
subtotal Direct obligations incurred	616,046	618,589
Reimbursable – Non Appropriated	133,878	138,539
<b>TOTAL OBLIGATIONS INCURRED</b>	<b>\$ 749,924</b>	<b>\$ 757,128</b>

NOTE 19	RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET		
	(in thousands)		
	FY 2016	FY 2015	
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>			
Budgetary Resources Obligated:			
Obligations Incurred	\$ 749,924	\$ 757,128	
Less: Spending Authority from Offsetting Collections and Recoveries	(153,675)	(169,228)	
Obligations, Net of Offsetting Collections and Recoveries	596,249	587,900	
Less: Distributed Offsetting Receipts	(324)	(306)	
Net Obligations	595,925	587,594	
Other Resources:			
Donations of Property and Services	1,078	999	
Imputed Financing from Costs Absorbed by Others	99,687	87,760	
Exchange Revenue not in the Budget	51	204	
TFB/Gift/Special Programs Exchange Revenue Receipts	(4,389)	(4,324)	
Other Resources (+/-)	7,332	(3,777)	
<b>TOTAL RESOURCES USED TO FINANCE ACTIVITIES</b>	<b>\$ 699,684</b>	<b>\$ 668,456</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 (+/-)	\$ 9,784	\$ 5,475	
Resources that Fund Expenses Recognized in Prior Period	(309)	(657)	
Resources that Finance the Acquisition of Assets	(15,996)	(16,149)	
Budgetary Offsetting Receipts that do not Affect Net Cost of Operations	324	306	
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(4,934)	(2,134)	
<b>TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>	<b>(11,131)</b>	<b>(13,159)</b>	
<b>TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS</b>	<b>\$ 688,553</b>	<b>\$ 655,297</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	\$ 146	\$ 335	
<b>Total Components Requiring or Generating Resources in Future Periods</b>	146	355	
Components not Requiring or Generating Resources:			
Depreciation and Amortization	13,537	14,322	
Revaluation of Assets or Liabilities	(4,628)	3,790	
Other Costs not Requiring or Generating Budgetary Resources (+/-)	(230)	(307)	
<b>TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES</b>	<b>8,679</b>	<b>17,805</b>	
<b>TOTAL COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>	<b>8,825</b>	<b>18,160</b>	
<b>NET COST OF OPERATIONS</b>	<b>\$ 697,378</b>	<b>\$ 673,457</b>	

**NOTE 20****Fiduciary Activity and Net Assets**

SFFAS No. 31, "Accounting for Fiduciary Activities," defines fiduciary activities 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 programs identified as fiduciary activities. There is no fiduciary activity or unobligated balance reflected in the Statement of Budgetary Resources for the Copyright Licensing Fiduciary Deposit Fund.

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

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

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

Intragovernmental Investments - Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. Fiduciary funds investment maturity dates for fiscal years 2016 and 2015 range from October 20, 2016, to August 31, 2017, and October 29, 2015, to August 31, 2016, respectively and interest rates for fiscal years 2016 and 2015 range from 0.5% to 1.88% and from 0.005% to 0.5% respectively.

Fiduciary Activity consists of the following:

	(in thousands)	
	FY 2016	FY 2015
<b>Beginning Fiduciary Net Assets</b>	<b>\$ 1,074,304</b>	<b>\$ 1,144,611</b>
Licensing Fees	239,673	311,796
Investment Earnings	2,888	856
<b>Total Net Inflows to Fiduciary Net Assets</b>	<b>242,561</b>	<b>312,652</b>
Payments to Copyright Owners	(208,802)	(378,356)
Refunds of Licensing Fees	(533)	(1,284)
Retained by Copyright Licensing for Administrative Costs	(3,711)	(3,319)
<b>Total Outflows from Fiduciary Net Assets</b>	<b>(213,046)</b>	<b>(382,959)</b>
<b>Subtotal Net Fiduciary Activity</b>	<b>29,515</b>	<b>(70,307)</b>
<b>ENDING FIDUCIARY NET ASSETS</b>	<b>\$ 1,103,819</b>	<b>\$ 1,074,304</b>

Net Fiduciary Assets consist of the following:

	(in thousands)	
	FY 2016	FY 2015
<b>Fiduciary Assets</b>		
Fiduciary Fund Balance with Treasury	\$ 2,952	\$ 1,328
Investments in U.S. Treasury Securities	1,100,801	1,072,900
Accrued interest from U.S. Treasury Securities	70	76
Less: Accounts Payable	(4)	0
<b>TOTAL FIDUCIARY NET ASSETS</b>	<b>\$ 1,103,819</b>	<b>\$ 1,074,304</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 2016	FY 2015
<b>Miscellaneous Cash Collections:</b>		
Unclaimed Money, Collections of Receivables from Cancelled Accounts and General Fund Proprietary Receipts, Not Otherwise Classified:	\$ 4,030	\$ 138
<b>Total Net Custodial Collections</b>	<b>4,030</b>	<b>138</b>
Transferred to the General Fund of the Treasury	(4,030)	(138)
<b>Total Net Custodial Outflows</b>	<b>(4,030)</b>	<b>(138)</b>
<b>NET CUSTODIAL ACTIVITY</b>	<b>\$ 0</b>	<b>\$ 0</b>

# THE LIBRARY OF CONGRESS

## Management Report

Fiscal Year Ended September 30, 2016

### 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, 2016, the collection was determined to be in a useable condition for fulfilling the Library's service mission. During fiscal 2016, 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.

## MEMORANDUM

**DATE** April 5, 2017

**TO** Dr. Carla Hayden  
Librarian of Congress

**FROM** Kurt W. Hyde   
Inspector General

**SUBJECT** Results of the Library of Congress *FY 2016 Financial Statements Audit*

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The attached reports present the results of the annual audit of the Library of Congress financial statements for fiscal years (FY) 2016 and 2015.

We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) for the FY 2016 audit. The contract required that Kearney perform the audit in accordance with U.S. generally accepted government auditing standards; the Office of Management and Budget Bulletin 15-02, *Audit Requirements for Federal Financial Statements*; and the GAO/PCIE *Financial Audit Manual*.

**Results of Independent Audit***Financial Statements*

For the twenty-first consecutive year, we are pleased to report that the auditors issued an unmodified (clean) opinion on the Library's financial statements. In its audit, Kearney 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*

Kearney's consideration of internal controls over financial reporting (including the safeguarding of assets) resulted in no material weaknesses and the identification of four significant deficiencies.<sup>1</sup> Kearney noted significant deficiencies regarding the internal controls for 1) internal use software development

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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.



capitalization, 2) unliquidated obligations, 3) investment gains and losses, and 4) accounts payable accruals.

*Compliance with Laws and Regulations*

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

**Office of the Inspector General Oversight of Kearney & Company**

In connection with the audit contract, the Office of the Inspector General reviewed Kearney's report and related documentation and inquired of its representatives. Our review as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the Library's financial statements, conclusions about the effectiveness of internal controls, and compliance with laws and regulations. Kearney is responsible for the attached auditor's reports dated March 14, 2017 and the conclusions expressed in the reports.<sup>2</sup> However, our review disclosed no instances where Kearney did not comply in all material respects with generally accepted government auditing standards.

cc: Deputy Librarian  
Chief Operating Officer  
Chief of Staff  
General Counsel  
Chief Financial Officer

Attachments

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<sup>2</sup> In accordance with generally accepted government auditing standards, Kearney's report is dated as of the last day of their audit fieldwork. Kearney's final report was delivered to the Office of the Inspector General on March 30, 2017.

## **INDEPENDENT AUDITOR'S REPORT**

Inspector General  
United States Library of Congress

Librarian  
United States Library of Congress

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

We have audited the accompanying consolidated financial statements of the Library of Congress (the Library), which comprise the consolidated balance sheet as of September 30, 2016, the related consolidated statement of net cost and changes in net position, and the combined statement of budgetary resources (hereinafter referred to as the “financial statements”) for the year then ended, as well as the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audit contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Library as of September 30, 2016, as well as its net cost of operations, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *FY 2015 Financial Statements Audited by a Predecessor Auditor*

The Library's consolidated financial statements for fiscal year (FY) 2015, as of and for the year ended September 30, 2015, were audited by a predecessor auditor whose report, dated March 18, 2016, expressed an unmodified opinion on those consolidated financial statements.

We were not engaged to audit, review, or apply any procedures on the FY 2015 consolidated financial statements. Accordingly, we do not express an opinion or any other form of assurance on the FY 2015 financial statements as a whole.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and other Required Supplementary Information (hereinafter referred to as the "required supplementary information") be presented to supplement the consolidated financial statements. Such information, although not a part of the consolidated financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB), who consider it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing it for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Management Report is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements; accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, we have also issued reports, dated March 14, 2017, on our consideration of the Library's internal control over financial reporting and on our tests of the Library's compliance with provisions of applicable laws, regulations, contracts, and grant agreements, as well as other matters for the year ended September 30, 2016. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance and other matters. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 and should be considered in assessing the results of our audit.

A handwritten signature in blue ink that reads "Kearney & Company". The signature is stylized and cursive.

Alexandria, Virginia

March 14, 2017

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

Inspector General  
United States Library of Congress

Librarian  
United States Library of Congress

We have audited the consolidated financial statements of the Library of Congress (the Library) as of and for the year ended September 30, 2016, and we have issued our report thereon dated March 14, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated 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 an opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 15-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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

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; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did



not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses, that we consider to be significant deficiencies.

We noted certain additional matters involving internal control over financial reporting that we will report to the Library's management in a separate letter.

### **The Library's Response to Findings**

The Library does not have a response to the findings identified in our audit at this time, but it will respond to the findings identified in our audit at a later date. The Library's response will not be subjected to the auditing procedures applied in our audit of the consolidated financial statements; accordingly, we will not express an opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing and not to provide an opinion on the effectiveness of the Library's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney &amp; Company". The signature is stylized and cursive.

Alexandria, Virginia  
March 14, 2017

## **Schedule of Findings**

### **Significant Deficiencies**

#### **I. Untimely De-Obligation of Funds (*New Condition*)**

Unliquidated Obligations (ULO) represent binding agreements for goods and services that have not yet been delivered or received and will require future outlays. Agencies should maintain policies, procedures, and information systems to ensure that the balance of ULOs reported in their financial systems represents required Federal outlays.

The Library of Congress (Library) records obligations in its financial management system when it enters into an agreement, such as a contract or purchase order, to purchase goods or services. Once recorded, obligations remain open until they are fully reduced by disbursements or de-obligated or the appropriation funding the obligations is closed.

As part of our obligations testing, Kearney & Company, P.C. (Kearney) reviewed \$7.1 million of the \$12.8 million obligations, using a stratified risk-based population to identify older obligations. During our testing, we noted that the Library had 13 ULOs with a cumulative balance of approximately \$3 million for which the agency did not anticipate future outlays of funds. For one exception noted, Kearney found that the contract was terminated in fiscal year (FY) 2015, which de-obligated the funds on the contract. However, the de-obligation was not recorded in the financial system. The remaining 12 exceptions we noted in our ULO testing agreed to the current contract amount for which the respective service units acknowledged that the funds were no longer needed.

Failure to maintain an effective ULO control environment in which invalid open obligations are identified and de-obligated in a timely manner may result in difficulties in managing funds, improper payments, inaccurate budgetary reports, and possible violations of Federal regulations.

Kearney recommends that the Library:

1. Strengthen the process to review open obligations and ensure that the status of open obligations, to include the identification of older obligations, is formally documented and reviewed by the appropriate personnel, as well as that action is taken to timely de-obligate unneeded funds. The Office of the Chief Financial Officer (OCFO) should explore the possibility of developing an ULO aging report in Momentum to identify all ULOs with no activity in the previous six months, filtered by obligation origination date. If feasible, this report could be used as the basis for a periodic review of obligations. The Contracting Officers (CO) Contracting Officer's Representatives (COR), in conjunction with the service units, should perform this review to determine if obligations are still valid or to identify obligations that are no longer needed, so that the COs and CORs can take action to de-obligate the funds.

2. Document the new ULO review process and train personnel in the service units, the Office of Contracts, and OCFO on how to execute the review, in addition to understanding the importance of de-obligating unneeded funds in a timely manner.
3. OCFO should monitor the review process to ensure service units are providing an accurate status on open obligations in a timely manner and, when necessary, that the COs are issuing contract modifications and de-obligating funds timely.

## **II. Internal Use Software Development Cost Capitalization Procedures Need Improvement (*New Condition*)**

Internal Use Software (IUS) development costs represent cumulative project costs that will be transferred to Property, Plant, and Equipment (PP&E) as an asset when the software application is functional. Federal accounting standards establish criteria for the capitalization of IUS project costs. These costs can include internal labor, overhead, and third-party vendors. The Library is responsible for establishing appropriate policies and monitoring their operation to ensure project costs are accurately capitalized. Failure to establish and execute appropriate policies may result in erroneous financial statements, inappropriate oversight over project costs, and software deployment that is delayed or does not meet functional requirements.

During our test over IUS in development, Kearney noted that the Library did not capitalize all development costs related to the Copyright Office's Electronic Licensing (eLi) system. As of September 30, 2016, the Library capitalized \$1.7 million as IUS in development for the eLi system. The Copyright Office reported \$11.6 million for eLi development costs, primarily through third-party vendors. Because of the large gap between the dollar amount spent by the Copyright Office on its modernization efforts and what was capitalized for the eLi software development, Kearney performed a cursory review of contracts initiated by the Copyright Office between FYs 2010 and 2016 and preliminarily determined, at a minimum, there was an additional \$1.2 million in costs that should have been included in the amount the Library capitalized for the eLi software. While the remaining \$8.7 million contained additional capital costs, Kearney did not pursue further quantification efforts due to the Library's decision to formally cease development in October 2016. The resulting write-off of the eLi project prevented the above issue from resulting in financial statement errors. However, the Library needs to enhance this control activity by verifying that information for an accurate capitalization decision is readily available to ensure the financial statement errors are prevented prospectively.

Kearney also noted that the Library OCFO does not collect internal labor hours as part of the biweekly time and attendance process. Instead, the OCFO relies on semi-annual data calls to collect internal labor hours. This after-the-fact (up to six months) information collection method is inefficient compared to real-time data collection as part of time and attendance processing. It is also prone to errors, as it relies on memory and other ad hoc data gathering methods.

Without proper identification of all capital costs related to IUS projects, the Library is at risk of understating its asset balance and overstating expenses during the years the IUS asset is under development.



Additionally, without an integrated enterprise risk management program that includes all relative stakeholders, the Library may not proactively identify new risks. This increases the likelihood that the Library will not proactively implement the proper procedures and internal controls to mitigate new risks as they arise.

Kearney recommends that the Library:

1. Continue its efforts to centralize all software development projects under the Office of the Chief Information Officer (OCIO) and ensure the Information Technology Steering Committee (ITSC) reviews and approves all IT projects.
2. The OCFO, in coordination with the OCIO, should appoint a staff member from the OCFO to sit on the ITSC. This staff member should be responsible for making the OCFO aware of any approved IT project that may result in a capital asset.
3. OCFO should establish an asset record in Momentum's Fixed Asset Module at project inception for all ITSC-approved projects meeting capital asset thresholds.
4. OCIO should ensure that all purchase requisitions related to capital IT projects and approved by the ITSC are coded appropriately and linked to the corresponding asset record in Momentum.
5. Compare the costs/benefits of expanding the use of WebTA to track the Library Government employees' time spent on capital projects.
6. Perform formal enterprise risk management activities, including routine risk assessment and control monitoring, to ensure any changes within the Library operating environment that may introduce new risk or change current risks are identified. Once identified, existing control measures can be modified or new measures created to mitigate risks. The enterprise risk management activities should include all relevant stakeholders, such as Chief Financial Officer (CFO), Chief Information Office (CIO), General Counsel, Director, Contracts and Grants, and Service Unit Chiefs.

### **III. Improper Recording of Investment Gains and Losses (*New Condition*)**

The Library holds private investments in stock, index, and money market funds as part of its gift and trust fund board (TFB) programs. The Library needs to implement policies and procedures to ensure that they record investment activity in compliance with generally accepted accounting principles (GAAP) and Department of the Treasury (Treasury) regulations.

During our test over investments, Kearney noted that the Library was not properly recording gains and losses on its non-Treasury investments. The Library considers these investments to be available for sale. Available for sale investments are adjusted to the current market value at the end of each FY. When the value of investments is adjustment to market, the resulting gain or loss is also recognized as an unrealized gain or loss at that time. When an organization sells an investment, the unrealized gain or loss is recognized as a realized gain or loss.

In discussions with management, we noted that the Library was not recognizing previously unrecognized gains or losses during the sale of investments if the proceeds of that sale were used to immediately purchase new investments. Additionally, the realized gain or loss was not reflected on the Statement of Budgetary Resources (SBR) in accordance with Treasury guidance.

In this situation, the Library would not adjust the investment account to remove the historical cost of the sold investment and record the cost of the new investment, but, instead, it left the historical cost of the sold investment in the investment account and the associated previously unrecognized gain or loss in the market adjustment account.

The Library was not compliant with the Treasury Financial Manual (TFM) and United States Standard General Ledger (USSGL), which left some USSGL accounts misstated in the agency's general ledger (GL). Specifically, the investment account balance was understated and the market adjustment account balance was overstated. The accounts are reported on the same line on the balance sheet, so these errors off-set each other and did not result in a misstatement. However, these errors resulted in the understatement of the historical cost of private investment in the footnote disclosure by \$28.7 million.

Additionally, the realized gain or loss accounts were understated and the unrealized gain or loss accounts were overstated. This resulted in the Library not recognizing \$1 million gain when it sold investments and used the proceeds to immediately purchase a new investment; therefore, the sale and the purchase transaction were not reflected appropriately on the SBR.

Kearney recommends that the Library:

1. Record correcting entries to account for current-year realized gains on sale of investments not previously recognized and to correct the investment balances.
2. Separately recognize current-year gains and losses and unrealized gains and losses in the financial statements.
3. Update memo accounts based on the adjustments above so that the investment footnote properly reflects the historical cost of investments.
4. Update the appropriate cash accounts based on the correcting adjustments so that the Financial Management Service (FMS) 224, *Statement of Transactions*, properly reflects the gain on the sale of investments.
5. Establish procedures to record the USSGL entries listed above when investments are sold or purchased. These procedures should also ensure that investments sales and purchases are properly reflected on the SBR.
6. Establish procedures to perform a quarterly reconciliation of non-Treasury investments. As part of the quarterly reconciliation, the Library personnel should compare the market value of investment per statements received from the financial institutions with the investment balance recorded in the financial system. Any difference noted in the market value should be recorded as an adjustment to the balance of Market Adjustment – Investments account and the unrealized gain or loss accounts. The Library should also use this reconciliation to ensure the appropriate historical cost and current market value



amounts are recorded in memo accounts used to create the investment footnote that accompanies the financial statements.

#### **IV. Lack of Validation for the Accounts Payable Accrual (*New Condition*)**

The Library should record an accounts payable (AP) accrual for all goods and services received as of the financial statement date. The AP accrual may include estimated amounts for goods and services received for which the Library has not yet obtained an invoice. Additionally, the Library must accumulate sufficient, relevant, and reliable data on which to base accrual estimates, and Library management should ensure that adequate documentation is available to support the estimates. Failure to validate estimations may result in erroneous financial statements and failure to identify emerging financial risks in a timely manner.

During our test over the AP accrual process, Kearney noted that the Library updated its methodology to estimate a portion of the AP accrual related to FEDLink expenses, which is mainly made up of costs incurred to purchase goods for customers. For FY 2016, the estimated AP accrual amount for FEDLink was \$16.8 million. Through discussion with management, Kearney noted that the Library did not validate the new AP accrual methodology for FEDLink expenses to ensure that the estimated AP accrual was accurate. Management stated that they could not compare the AP accrual estimate to the actual amount of expenses incurred in FY 2016 but paid in FY 2017 because the FEDLink system does not accurately capture the date of receipt for purchase orders. Since the Library did not perform a validation of its AP accruals estimates for FEDLink, it increases the risk of reporting erroneous information on the financial statements.

Kearney recommends that the Library:

1. Modify FEDLink processes and/or system to capture the date that goods or services are received.
2. Implement a process to regularly validate the AP accrual methodology for FEDLink by comparing the estimate to actual data. The OCFO should review the results of the validation and update the AP accrual methodology for FEDLink, as necessary, to ensure estimates accurately reflect actual data.

\* \* \* \* \*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS,  
REGULATIONS, CONTRACTS, AND GRANT AGREEMENTS**

Inspector General  
United States Library of Congress

Librarian  
United States Library of Congress

We have audited the consolidated financial statements of the Library of Congress (the Library) as of and for the year ended September 30, 2016, and we have issued our report thereon dated March 14, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's consolidated financial statements are free from material misstatement, we performed tests of its compliance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Library. Providing an opinion on compliance with those provisions was not an objective of our audit; 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 under *Government Auditing Standards* and OMB Bulletin No. 15-02.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.



Alexandria, Virginia  
March 14, 2017