

LIBRARY

LIBRARY
OF CONGRESS



FINANCIAL STATEMENTS FISCAL YEAR 2017

April 2018

Highsmith, C. M., photographer. (2009) *Main Reading Room. Detail of stained glass window inside alcove. Library of Congress Thomas Jefferson Building, Washington, D.C.* Washington D.C, 2009. [Photograph] Retrieved from the Library of Congress, <https://www.loc.gov/item/2011646835/>.



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 2017 financial statements and accompanying opinion of the independent auditors, Kearney & Company. For the twenty-second 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 \$709.4 million including \$98.1 million in costs incurred by five other agencies (i.e. Architect of the Capitol, Government Publishing 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 \$118.0 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 2017 financial statements and auditors' opinion.

Sincerely,

A handwritten signature in black ink that reads "Carla Hayden".

Carla D. Hayden
Librarian of Congress

Enclosure

THE LIBRARY OF CONGRESS

Financial Statements for Fiscal 2017

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THE LIBRARY OF CONGRESS

Management's Discussion and Analysis

Fiscal Year Ended September 30, 2017

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 year 2017.

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 over 167 million items – 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 year 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 19th century, the American Republic was still little more than a bold experiment. Barely a decade removed from the establishment of constitutional democracy, our lasting future as a nation was not yet assured and our national character was only beginning to emerge.

It was in this context that the U.S. Congress created what would become one of the greatest and most distinct American institutions. Mindful of the link between an informed people and functional governance, the Congress in 1800 established the Library of Congress by appropriating \$5,000 to purchase a collection of 740 books and three maps.

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

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

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

- The establishment of the Law Library in 1832 as the first department of the Library of Congress recalled the Library's origins as a collection of law books to support the legislative work of the Congress. The Law Library remains the primary source for the Congress for research and reference services in foreign, comparative, and international law.
- The Copyright Act of 1870 centralized the nation's copyright registration and deposit system in the Library and stipulated that two copies of every book, pamphlet, map, print, photograph, and piece of music registered for copyright in the United States be deposited in the Library. The law reflected Jefferson's aspirations for the Library as a universal repository of knowledge.
- In 1886, the Congress authorized the first separate Library of Congress building to store growing collections and to provide openly accessible reading rooms and exhibition space for the general public. In 1897, the Thomas Jefferson Building opened to the public.

- In 1901, the Congress created an international exchange program to send federal publications to overseas partners in exchange for their executive and parliamentary publications, to broaden the Library's international legal collections.
- In 1902, the Congress authorized the Library to sell copies of its cataloging records inexpensively to the nation's libraries, thus substantially strengthening the entire American library system.
- In 1914, the Congress created the Legislative Reference Service as a separate entity within the Library to provide specialized services to "Congress and committees and Members thereof." Additional laws enhanced its mission in 1946 and 1970, when it was renamed the Congressional Research Service.
- In 1931, the Congress established a program in the Library to create and distribute free library materials to blind and physically handicapped readers throughout the country.

Since the mid-1970s, the Congress has statutorily created 12 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)
- National Collection Stewardship Fund (2017)

The Library of Congress Today

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

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

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

In 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."

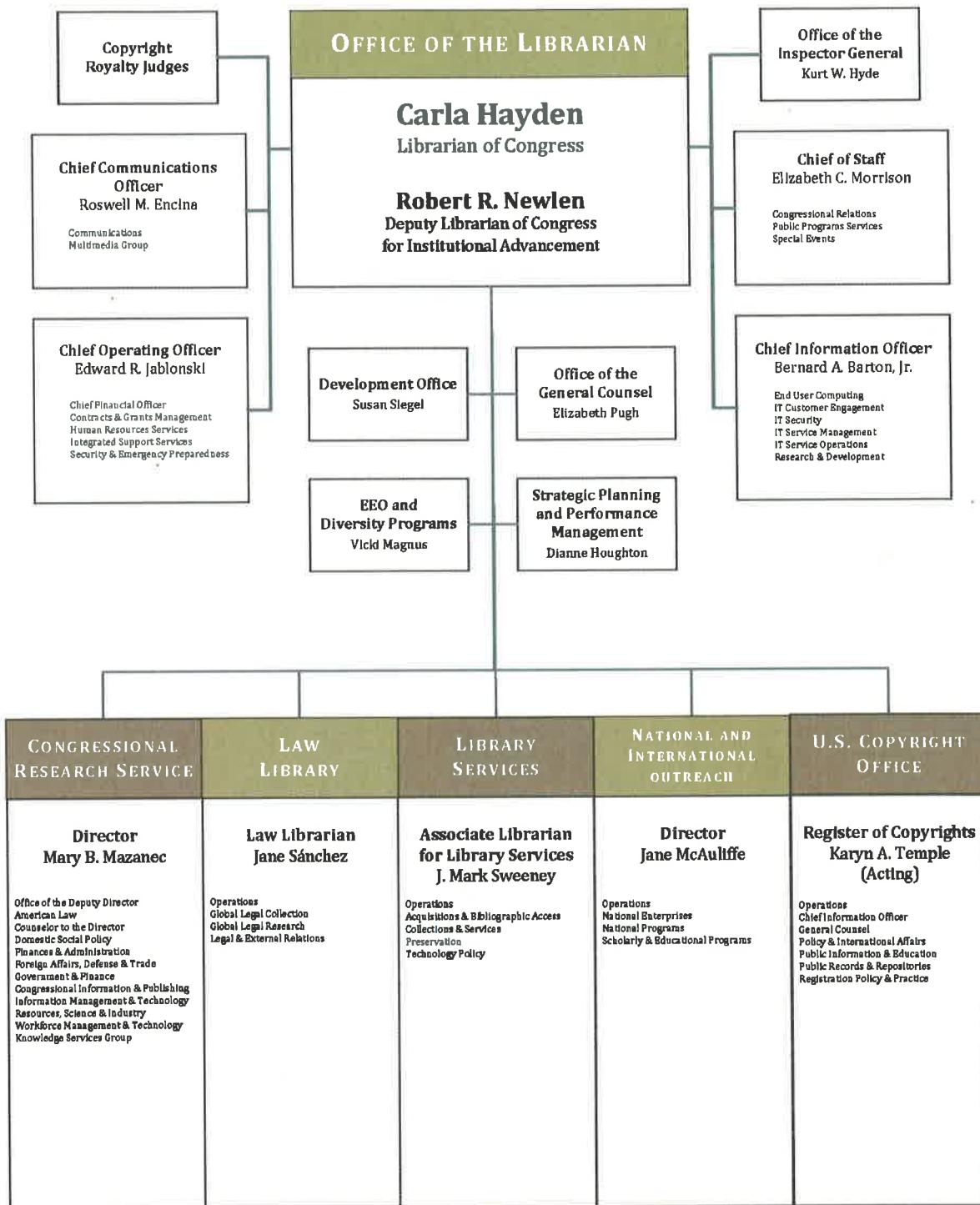
Those words hearken back to the Library's early days and Thomas Jefferson's vision of a society wherein the widest variety of information was readily available to the greatest possible number of people. "I feel ... an ardent desire," Jefferson said, "to see knowledge so disseminated through the mass 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, www.congress.gov, and 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.



As of September 30, 2017

Overview of Financial Statements

For fiscal years 2017 and 2016, 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, 2017 and 2016. 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 2017	FY 2016	
Entity Assets	\$ 579.4	\$ 551.5	
Total Assets	\$ 579.4	\$ 551.5	
Liabilities and Net Position			
Liabilities Covered by Budgetary Resources	\$ 105.7	\$ 117.9	
Liabilities Not Covered by Budgetary Resources	\$ 34.3	\$ 34.8	
Total Liabilities	\$ 140	\$ 152.7	
Net Position	\$ 439.4	\$ 398.8	
Total Liabilities and Net Position	\$ 579.4	\$ 551.5	

The Library's assets total \$579.4 million for fiscal year 2017 and \$551.5 million for fiscal year 2016. Entity assets increased by \$27.9 million during fiscal year 2017. The primary increase in assets is from the funding of a new OCIO project for \$20 million which increased the Fund Balance with Treasury. Investment gains also increased. The Library's liabilities total \$140 million and \$152.7 million for fiscal years 2017 and 2016, 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, 2017 and 2016. In other words, the statements present the net costs of our programs: \$709.4 million and \$697.4 million for the fiscal years 2017 and 2016, respectively. Net costs increased by \$12 million during fiscal year 2017. 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 provide further enhancement of comprehensive, centralized IT acquisition planning and execution as well as IT spending visibility and transparency; streamlined management effectiveness by subdividing the Librarian's span of control between the Library's core operations and its outreach programs; enhanced internal and external communications management; and high-level, direct oversight for high-profile programs.. Within these financial statements, the realignment can be seen in the reporting of operations in the Statement of Net Cost.

Effective May 2017, as part of the realignment, the Office of the Chief Information Officer service unit was established. The new OCIO alignment strengthened management and oversight of technology activities and established the Chief Information Officer as a direct report to the Librarian.

Library Services – With net program costs of \$361.2 million and \$364.2 million for fiscal years 2017 and 2016, 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. Library Services responds to over 333,000 information requests a year from across the nation, including nearly 200,000 in person in the research centers open to the public in Washington, D.C. In addition, the Library received approximately 41,000 free interlibrary loan

requests from across the nation and provided nearly 14,000 requests for book loans from the Congress each year. The Library issued nearly 59,000 Reader Cards.

Online Access Services – The Library provides free online access to many of its most popular rights-free collections and to its automated collection descriptions 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 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 – With net program costs of \$120 million and \$117.1 million for Fiscal Years 2017 and 2016, respectively, 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 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 audio cartridges, and playback machines.
2. A cooperating network of 55 regional libraries, 30 subregional libraries, 14 advisory and outreach centers, and 4 separate machine lending agencies 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 1,085,514.

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 year 2003 to authorize the Library's special events and programs activities under the revolving fund statute. Through these activities, the Library is able to further its programs dealing with the 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 \$33.9 and \$30.8 million for fiscal years 2017 and 2016, 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.

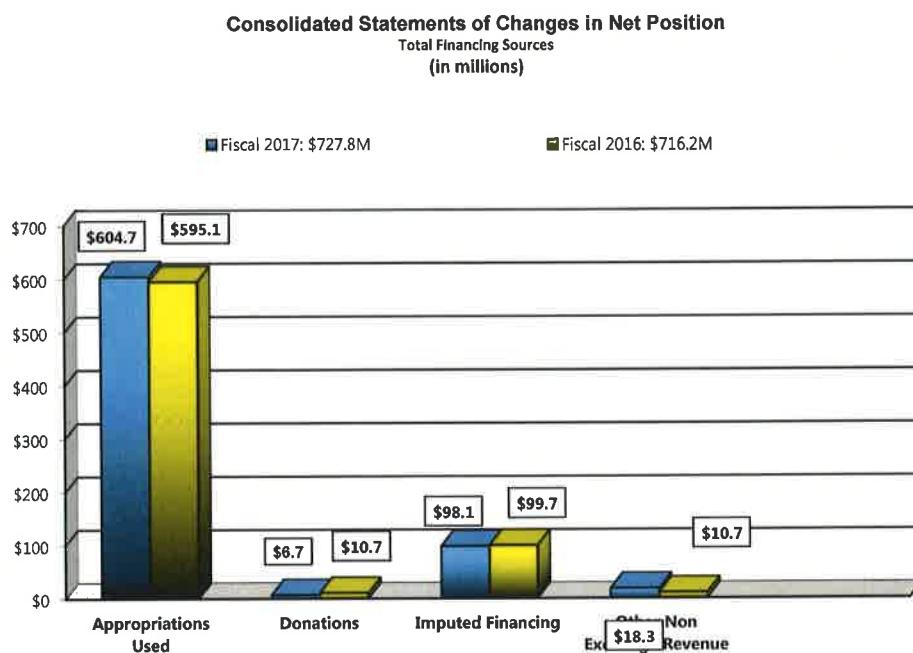
Copyright Office (including the Copyright Royalty Board) – The Copyright Office, with net program costs of \$42.2 million and \$38.9 million for fiscal years 2017 and 2016, respectively, administers the U.S. copyright registration system and related programs, assists with the administration of statutory 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 year 2017, the Copyright Office registered 452,122 claims to copyright; transferred or facilitated online access to 658,045 works to the Library; recorded 14,644 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 \$152.1 million and \$146.4 million for fiscal years 2017 and 2016, 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 \$727.8 million and \$716.2 for fiscal years ended September 30, 2017 and 2016, 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, 2017 and 2016 totaled \$604.7 million and \$595.1 million or 83.1% and 83.1% of all financing for fiscal years 2017 and 2016, 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 \$98.1 million and \$99.7 million (imputed financing) for fiscal years 2017 and 2016, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$69.7 million and \$66.8 million), employee benefits (\$25.5 million and \$30.2 million), acquisitions exchange services (\$1.1 million and \$0.9 million), collections security services (\$1.6 million and \$1.5 million), and legal services (\$0.2 million and \$0.2 million). Other non-exchange revenues are positive and negative for fiscal years 2017 and 2016, 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 \$947.7 million and \$857.2 million for the fiscal years ended September 30, 2017 and 2016, respectively, of which \$687.1 million and \$617.2 million were from appropriated funds and \$260.6 million and \$240.0 million were from non-appropriated funds for fiscal years ended September 30, 2017 and 2016, respectively. Total outlays of \$663.1 million and \$590.8 million were incurred with the outlays of appropriated funds (\$602.5 million and \$589.2 million) combined with outlays of the non-appropriated funds (\$60.6 million and \$1.7 million) in fiscal years 2017 and 2016.

Performance Targets and Accomplishments

This section of the Library's 2017 *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.

In fiscal year 2017, the Library of Congress established 75 annual performance goals with 88 associated performance targets. Of those 88 performance targets, 88% were met in fiscal year 2017. The remaining performance targets were either partially met or not met.

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: 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 Copyright Office completed several ongoing studies for Congress, on time and in the requested format, in order to assist Congress in its works on copyright matters. In fiscal year 2017, these included: The Software-Enabled Consumer Products Study (Dec. 2016), the Section 1201 Study (June 2017), the Fee Study on Copyright Recordation-2017

(Aug. 2018), Section 108 Discussion Document (Sept. 2016), and the Mass Digitization Pilot Program letter to Congress (Sept. 2017). Also submitted to Congress was the Modified U.S. Copyright Office Provisions IT Modernization Plan (Sept. 2017). Work continues on the Section 512 Study, the Study on the Moral Rights of Attribution and Integrity, and on visual works.

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 Copyright Office has provided expert advice and policy recommendations for fiscal year hearings or proposed legislation.

Accomplishment: The Copyright Office timely contributed its expertise to Congress in numerous ways, and continued to monitor developments occurring throughout the year. The Copyright Office continued to provide advice and responses to Congressional requests regarding copyright matters, including prompt responses on budget issues as well as questions and issues related to ongoing information technology and office modernization matters.

The 115th Congress has introduced at least 10 bills that impact copyright law and policy interests, several of which were also introduced in the 114th Congress. Current legislation includes: HR 3350 (Transparency in Music Licensing and Ownership Act), H.R. 3301 (CLASSICS Act), S1010 and HR 1695 (Register of Copyrights Selection and Accountability Act of 2017); HR 1914 (PROMOTE Act of 2017), HR 1836 (Fair Play Fair Pay Act of 2017), HR 905 (You Own Devices Act); HR 881, Allocation for Music Producers Act, HR 890 (Copyright Office for the Digital Economy Act), and HR 192 (Direct Broadcast Satellite Expansion Act of 2017).

Furthermore, the Office initiated numerous regulatory rulemakings, and completed nine rulemaking proceedings in this past year.

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 Copyright Office is providing advice and/or participating in all delegations for which Copyright Office involvement is requested.

Accomplishment: The Copyright Office timely contributed its expertise on copyright law and policy to executive branch agencies on numerous occasions over the past year as part of official delegations. The Copyright Office has participated in all WIPO (World Intellectual Property Organization) copyright-related endeavors, including by sending staff to participate in the WIPO SCCR (Standing Committee on Copyright and Related Rights) and IGC (Intergovernmental Committee on Intellectual Property and Genetic Resources, Traditional Knowledge and Folklore) meetings in Geneva. The Copyright Office also advised the trade agencies in a large number of ongoing developments with individual countries, as well as contributing to the annual Special 301 process. The Copyright Office is involved in intense interagency work and participating in the

trilateral rounds related to the renegotiation of NAFTA (North American Free Trade Agreement). The Copyright Office also provided review and input on developments in other trade areas, including WTO trade policy reviews of countries' IPR practices, the G20 meeting in Hamburg in July 2017, the July 2017 intercessional meeting on the proposed Hague Agreement on Enforcement of Judgements, and ongoing IP work at the Asia Pacific Economic Cooperation (APEC). Finally, the Copyright Office also has coordinated with the Department of Justice on copyright litigation, including Supreme Court cases⁷.

Annual Performance Goal: Congressional Research Service (CRS) will successfully conduct a New Members Seminar for new Members of the 115th Congress, evaluate the program's effectiveness, and begin preliminary planning for the 116th Congress.

Performance Target: CRS will successfully conduct a New Members Seminar for new Members of the 115th Congress, evaluate the program's effectiveness, and begin preliminary planning for the 116th Congress.

Accomplishment: CRS held the New Member Seminar from January 6 – 9, 2017. Forty-three out of 56 newly-elected Members (77%) attended, as well as one Member first elected in 2014. All Members who completed the evaluation rated the seminar overall as "Good" or "Very Good", and over 94% rated the seminar overall as "Very Good" – the top rating. The seminar provided freshman Members with critical training on the process and policy they need to be effective during their first year in office. It additionally introduced the Members to CRS and the Library more generally. Nearly 80 requests for CRS follow up were placed at the Seminar and since the conclusion of the seminar over 670 requests have been placed by the offices of freshman who attended.

CRS has started planning for the next New Member Seminar. CRS has provided evaluation materials to program funders and is in the process of submitting funding proposals for the 2019 seminar.

Annual Performance Goal: The initial "minimum viable product" for CONAN (The Constitution of the United States of America: Analysis and Interpretation) is fully defined from both a content and technical perspective, including a targeted date for an initial release.

Performance Target 1: A substantive initial batch of revised CONAN content is ready for publishing that will replace 400 pages in the current version of CONAN.

Performance Target 2: For the initial "minimum viable product (MVP)" and subsequent releases of a new beta CONAN website, the technical solution, resource requirements, and implementation plans are completed in support of the Library's IT investment process for fiscal years 2018 and 2019.

Accomplishment: A substantive initial batch of revised CONAN content is ready for publishing as a minimum viable CONAN product, replacing nearly 400 pages of the current version of CONAN. An additional 100 pages are in process to be replaced in the first quarter of fiscal year 2018. Library executive management is aware and supportive of the need to further investigate a new Constitution-focused web product that brings

together CONAN and other Library-related collections, products, and services (and potentially additional authoritative content from other institutions). Requests for funding have been submitted as part of the Library's IT investment process, and are pending Library decisions. A revised CONAN, as an integral part of a modernized constitution-focused platform, will enable the nation's pre-eminent source of objective, authoritative, and non-partisan constitutional analysis to be easily accessed, understood, and used by Congress, educators and students, and the public-at-large, in the context of the Library's rich historical collections. The Library's preparation of CONAN is part of a 100 plus year congressional mandate.

Annual Performance Goal: Procure an automated content and/or workflow management system.

Performance Target: Complete all documentation and Contracting Officer's Representative (COR) responsibilities necessary to complete award.

Accomplishment: In fiscal year 2017, the Law Library continued on a shared services track to acquire content management and related systems to more effectively deliver products and services to Congress and other clients. This work was done working collaboratively with the Office of the Chief Information Officer (OCIO) and CRS. While the Law Library did not procure the necessary systems this year, LAW is attending system demos for CRS's Integrated Research and Information System (IRIS) project. In response to the OCIO's new business processes, LAW submitted an IT business proposal, and began writing agile user stories for each previously-identified system requirement. LAW provided OCIO with requirements for a potential short-term solution for document archiving and retrieval. Work on this will continue in fiscal year 2018.

Annual Performance Goal: Align Law Library research products and services with congressional agenda and major policy issues stated by the Administration.

Performance Target: More than 80% of feedback received from Congressional and Federal agency requesters demonstrate customer satisfaction with quality, timeliness, responsiveness, and customization of Law Library products and services.

Accomplishment: In fiscal year 2017, the Law Library responded to Congress via 340 research reports and memorandums addressing legislative agenda and major policy issues. Research products were customized to meet requesters' needs, and when appropriate, included visual displays (graphs, charts, maps, etc.). Congressional office feedback indicated complete customer satisfaction, remarked on timeliness, comprehensiveness, and overall quality.

Annual Performance Goal: By the end of fiscal year 2017, Congress.gov will be in a position that retirement discussions of the legacy Legislative Information System (LIS) can be initiated with the Library's authorizing committees by the beginning of fiscal year 2018.

Performance Target: By the end of fiscal year 2017, 50% of the existing gap items identified that need to be part of Congress.gov in order to retire LIS.gov from congressional view will be addressed.

Accomplishment: During fiscal year 2017, accomplishments included the adoption of the Agile software development methodology, resulting in more frequent Congress.gov releases with a significantly lower overall risk of any adverse impact on operations. Notable features and functionality released in fiscal year 2017 include enhancements to alerts, saved searches, the Query Builder search form, global and advanced search, the ability to download search results, legislation advanced search and search results for legislation. In addition, there is improved access to the Congressional Record as well as committee information. This progress significantly moves us closer to retiring the legacy Legislative Information System.

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

Performance Target: Inform Members of Congress and congressional staff about Library of Congress programs, services, and activities.

Accomplishment: Congressional Relations Office (CRO) successfully accomplished its fiscal year 2017 outreach goals to establish and maintain relationships by keeping Members and congressional staff informed about Library products, services, and activities. Statistics to highlight these achievements are:

- CRO made 2,799 introductions, meetings, briefings, phone calls, and discussions with Members and/or staff on a wide range of Library issues.
- CRO received 23,719 emails, phone calls, and other communications from which CRO staff provided responses, sometimes in consultation with other library services units.
- CRO sent 117,181 targeted emails to congressional offices about Library events, promoting collections and services including over 60 social media prompts.
- The new constituent booking website (VERSO) has been operating seamlessly since mid-April, with over 575 registered staff accounts and 14,320 constituents booked on 179 tours scheduled between July 10 and September 30.

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 115th Congress.

Accomplishment: CRO successfully accomplished this goal in fiscal year 2017, including providing expert advice and assistance to congressional oversight committees in their consideration of action on the Library's legislative proposals.

Annual Performance Goal: Support effective business and project management by developing programs and technology to create a stable foundation for relevant data analysis and decision-making.

Performance Target: Develop and launch management dashboards.

Accomplishment: The Federal Research Division (FRD) within the Library's National and International Outreach unit made continued progress throughout fiscal year 2017 in

improving the cost recovery methodology of services to Federal Customers. In addition to dashboard activity in Q1 – Q3 for staff utilization and percent complete on projects, FRD initiated financial analysis and reporting requirements in Q4 that stipulated (1) Breakeven Requirement, (2) Revenue Recognition, (3) Reserve Requirement, (4) Hourly Rate Estimation, and (5) Activity Based Costing. This analysis and reporting is the baseline data for launching the business dashboard; metrics were established in each category and were benchmarked against federal and industry standards.

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

Performance Target: Initiate a phased implementation of the collections use reporting system.

Accomplishment: During fiscal year 2017, phased implementation of the system was begun. Two electronic resources statistics tools were acquired for evaluation and Tableau business intelligence software was acquired. Data from the electronic resources tools and from the Library's Integrated Library System (ILS) system were successfully loaded into Tableau and tested. This work will be used as a foundation on which to build a system to fully compile and report in an integrated fashion and on a continuing basis all of the Library's collections use data. Such information is critical to the continued building of the Library's collections.

Annual Performance Goal: Grow the Congressionally mandated Veterans History Project (VHP) collection.

Performance Target: The Veterans History Project will acquire and perform preliminary processing on 4,000 collections.

Accomplishment: The Library acquired and preliminarily processed 4,117 collections for the congressionally mandated Veterans History Project in fiscal year 2017. VHP actually received 4,335 collections through the voluntary participation of individuals around the country seeking to preserve the first-person narratives of U.S. veterans in their lives and communities at the Library of Congress. Congress created the Veterans History Project in 2000. The authorizing legislation, Public Law 106-380, sponsored by Representatives Ron Kind, Amo Houghton, and Steny Hoyer in the U.S. House of Representatives and Senators Max Cleland and Chuck Hagel in the U.S. Senate, received unanimous support and was signed into law by President Clinton. The legislation directs the Library to collect, preserve, and make available to the public an archive of the oral histories of American war veterans. It notes that the Library's American Folklife Center (AFC) "has expertise in the management of documentation projects and experience in the development of cultural and educational programs for the public." The legislation directs AFC to: (1) collect video and audio recordings of American war veterans, (2) create a collection of the recordings that will be available for public use, and (3) solicit, reproduce and collect materials that complements the recorded oral histories, such as letters and diaries.

Annual Performance Goal: Expand the reach of the library's collections and resources to a wider online audience.

Performance Target: Increase access to the Library's content through Application Programming Interfaces (APIs), bulk download, and mobile devices.

Accomplishment: In fiscal year 2017, OCIO published a new loc.gov home page, featuring a new visual design, responsive layout, and updated navigation for improved readability on mobile devices. Content from 100% of newspaper collections became available via bulk download during fiscal year 2017 as well. In addition, the loc.gov API was made public in conjunction with the release of Labs.loc.gov, a website that promotes access to Library data resources, and is accompanied by advocacy work from the National and International Outreach - National Digital Initiatives team. A new Twitter account (@LC_Labs) was also launched to promote the site and API, and users are encouraged to highlight their use of Library APIs and data using the hashtag #BuiltWithLC.

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 define and document the business needs for the lifecycle management of digital content.

Accomplishment: In fiscal year 2017 Technology Policy focused on developing mechanisms for articulating and communicating lifecycle management requirements and priorities to the Office of the Chief Information Officer (OCIO). By late spring it had established a business needs framework and populated it with high level requirements and workflows. The directorate also implemented a more comprehensive process for projecting storage requirements, and developed an approach for stating and reporting on performance requirements that is expected to assist both Library Services and OCIO in monitoring the reliability of the digital collections infrastructure over time. Collectively these efforts will contribute to the development of stable, generic capabilities to serve a wide range of digital content types and streams.

Annual Performance Goal: Increase the number of Library of Congress items in the new interim storage facility.

Performance Target: Transfer 300,000 books to the Cabin Branch interim collection storage facility to improve storage conditions and provide staging location for collections destined for future Ft. Meade modules.

Accomplishment: In fiscal year 2017, Library Services transferred 508,428 items (book volumes) to Cabin Branch, exceeding its goal of 300,000 items due to a sooner-than-expected start to the work. By placing items in this interim leased facility the Library reduced crowding in its collection storage areas on Capitol Hill and increased the number of items staged for future Fort Meade Modules.

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 675 to 700 titles, and baseline for National Recording Registry from 450 to 475 titles.

Accomplishment: In December 2016, the Library of Congress announced the latest selections to the National Film Registry, increasing the total to 700. The Library followed up in March 2017 when it revealed selections 451-475 to the National Recording Registry. The extensive media coverage received by public releases enhanced awareness of Library of Congress preservation activities and partnerships in communities such as the general public, artists, educators and cultural heritage professionals.

Annual Performance Goal: Counteract the natural degradation of the collections by undertaking appropriate preservation actions that extend their life and usefulness of their content.

Performance Target: The Preservation Directorate will complete 9 million preservation actions to extend the life and usefulness of primarily physical collection materials.

Accomplishment: Preservation Directorate staff completed over 9.9 million preservation actions to extend the life and usefulness of the Library's collections, meeting the fiscal year 2017 annual target of 9 million actions. By achieving this goal, the Directorate continues its commitment to responsibly direct and execute a variety of programmatic strategies, including binding, conservation treatment, mass deacidification, and reformatting, supported by a program of scientific research and testing. Combined, these preservation actions ensure the Library's collections are available for the benefit of users now and in the future.

Annual Performance Goal: Respond to inherent degradation and other agents of deterioration by studying collection materials.

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

Accomplishment: Preservation Directorate staff completed over 18,000 quality assurance testing and research analyses to extend the life and usefulness of collection materials by responding to and studying inherent degradation and other agents of deterioration, which exceeds the performance target by 50%. The Directorate was able to devote additional staff resources to perform quality assurance and research testing in the first three quarters, and the fiscal year 2017 annual targets were met ahead of schedule. The addition of analytical instrumentation procured with fiscal year 2016 resource reallocation funds also allowed for an increase in testing capabilities.

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

Performance Target 1: Establish public access to at least two existing digitized collections of law materials via Law.gov or Congress.gov per year by the end of each fiscal year.

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

Performance Target 3: Implementation of interactive and sustainable enhancements via the Indigenous Law Portal on Law.gov.

Accomplishment: In fiscal year 2017, the Law Library increased online access to law collection materials (22 volumes (1925-1988) of the U.S. Code, and 542 volumes (1754-2004) of the U.S. Reports). These volumes were not previously available online to researchers for free. An additional collection of National Transportation Safety Board (NTSB) case findings (888 documents) were digitized and will be available to researchers in 2018, again at no cost. Finally, free public accessibility has been assured for users of the Indigenous Law Portal through software that creates permanent hyperlinks to resource documents as they are added.

Annual Performance Goal: Expand the digitization of collections to better meet the demand for online access to collections.

Performance Target: Produce 4.5 million master files for digitized items to provide online access to collections in preferred formats.

Accomplishment: Over 4.7 million master digital files were accessioned into the Library's collections in fiscal year 2017 to provide online access to collections and meet the needs of researchers and library constituents.

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 will add 34,000 files to the number of audiovisual items reformatted to extend the life and usefulness of collection materials.

Accomplishment: The National Audio Visual Conservation Center added 45,299 files of reformatted audiovisual items in fiscal year 2017 to extend the usefulness of collection materials and support long term preservation of the collections.

Annual Performance Goal: Strengthen the Library's collection and preservation strategy to address the future needs of the Library's constituents and stakeholders.

Performance Target: Publish a digital library operations and delivery strategy that defines the agency's approach to the collection, preservation, and presentation of digital materials.

Accomplishment: In fiscal year 2017, the Library concentrated on setting the stage for putting in place a digital strategy that will execute the Library's strategic plan and drive the IT strategic plan. A common understanding of digital strategy was established, and all

Library service units provided input into identifying priorities that would drive a digital strategy, thus setting the stage for more progress in fiscal year 2018.

Annual Performance Goal: Produce bibliographic access tools including original cataloging, copy cataloging, and archival cataloging.

Performance Target: Access is provided to 270,000 new Library collection items through catalog records including 180,000 original records created entirely by Library staff.

Accomplishment: Access is provided to more than 301,619 new Library collection items through catalog records including 216,226 original records created entirely by Library staff. Production exceeded the annual target by nearly 12 percent because of generous overtime offered for two quarters. Library users can discover and retrieve more than 300,000 new items from the collections and other libraries can use more than 216,000 new records to describe their own collections, providing high-quality access at great savings. These numbers include cataloging by the Acquisitions and Bibliographic Access Directorate, Music Division, and Geography & Map Division.

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 open data environment.

Accomplishment: The Library has trained 65 participants for its BIBFRAME 2.0 Pilot, and the participants are creating BIBFRAME 2.0 linked-data descriptions for Library collection items in seven formats: printed books, printed serials, maps, printed music, moving images, pictorial materials, and sound recordings. As preparation for the BIBFRAME 2.0 Pilot, Acquisitions and Bibliographic Access Directorate staff updated the BIBFRAME protocol and the editor tools for the seven formats; trained 65 participants; produced BIBFRAME 2.0 versions of nearly 19 million catalog records from their original MARC versions; and coordinated with Program for Cooperative Cataloging member institutions that are also working with linked open data. The BIBFRAME 2.0 Pilot will continue into mid-2018. It will enable the Library to determine whether BIBFRAME 2.0 is scalable to large metadata operations; whether the Library will adopt BIBFRAME 2.0 as its replacement for the outdated MARC format for catalog data; and whether BIBFRAME 2.0 can interact successfully with other linked open data systems. Finding a linked open data replacement for MARC is critical to make libraries' catalog data intelligible on the World Wide Web and hence relevant to today's information seekers.

Annual Performance Goal: Improve access to linked open data by producing authorities and subject headings that support linked open data and identity management.

Performance Target 1: The Library provides enhanced access to linked open data by adding to its linked data services 210,000 new authority and subject headings that support linked open data and identity management beyond the traditional catalog.

Performance Target 2: Improve access to collections by updating 8 million authority records from the Library of Congress Integrated Library System to add new data elements. The new data elements will enhance the ability of users and systems to identify and further distinguish among similarly named entities, support better integration with commercial and semantic web data, and bring the records into conformity with the current community standard for bibliographic description.

Accomplishment: A total of 280,961 new authority and subject headings has been added to the Library's linked data services, exceeding the target by 34 percent. The additional production was made possible by generous overtime worked during two quarters; increased production by staff who were hired in 2015 and 2016 and reached full performance in 2017; and contributions from the Library's 900-plus partners in the Program for Cooperative Cataloging, for which the Acquisitions and Bibliographic Access Directorate provides the secretariat. The 277,245 new name authorities and 3,716 new Library of Congress Subject Headings improve users' access to linked open data and support identity management on the World Wide Web.

The second performance target related to this work was not achieved in fiscal year 2017. As a result of technical issues, lack of resources, and risk factors, no authority records were updated. Integrated Library System Program Office (ILSPO) has resolved these issues, revised the authority change software and started to test it. ILSPO plans to run the software on multiple workstations starting in October in order to meet the FY2018 production targets.

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

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

Accomplishment: In fiscal year 2017, Law Library staff and contractors classified 35,036 volumes into the modern K classification scheme, exceeding the target by 75%. The Library was able to allocate significant resources to this effort that were not anticipated when the target was developed. Many of these titles were not previously represented in the online catalog (OPAC). Application of the K classification system improves patron discoverability, including browsing by shelf order in the OPAC.

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

Performance Target: Replace compact shelving in quadrants B, C, and D of the Law stacks.

Accomplishment: As a part of the fiscal year 2017 enacted budget, Congress appropriated \$4,039,000 to replace the compact shelving in Quad C. Replacement of Quad C shelving, commencing in 2018, will improve access to the law collection: enabling retrieval of collection materials that cannot be served to patrons, because they are stored on damaged ranges. Compact shelving for quadrants B and D were not funded in fiscal year 2017.

Annual Performance Goal: Improve management and security of the rare law book collection.

Performance Target: Design specifications and cost estimates for a new secured storage facility are confirmed with Space Utilization, Planning and Design (SUPD), and 8,600 rare law volumes are inventoried in preparation for moving some of the collection to the facility.

Accomplishment: In fiscal year 2017, construction work began on a new secured storage facility (SSF) to house the Law Library's rare law book collection. In preparation for moving to the SSF, 505 rare law volumes were inventoried, and the inventory will continue in fiscal year 2018. The inventory of the rare law book collection is done before moving titles to the SSF (anticipated October 2018), and improves access and security of the Law Library's rare book collection.

Annual Performance Goal: Increase public use of the Library's electronic resource databases in order to provide timely delivery of relevant articles, books, and journals.

Performance Target: Increase use of select, major electronic databases to 550,000 downloads to provide relevant information in a timely manner.

Accomplishment: 757,535 items, 38% above the planned target level, were downloaded by researchers from select, major electronic databases in the Library's collections to provide relevant information in a timely manner in fiscal year 2017.

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

Performance Target: To improve safeguards in targeted high-security areas, four assessments will be conducted and four security recommendations will be implemented.

Accomplishment: Security controls were enhanced in fiscal year 2017 primarily in support of long term (Ft Meade/Cabin Branch) or infrastructure (compact shelving) projects. Additionally controls were improved for further restricting access to collections held by the Asian division.

Annual Performance Goal: Mitigate the risks associated with access and security of the Library's unprocessed collections.

Performance Target: Conduct an assessment to determine whether current controls adequately address the risks of arrearage for access and security of the Library's unprocessed collections.

Accomplishment: Library Services conducted an in-depth assessment of unprocessed arrearages of the Library of Congress in order to determine whether current controls adequately address the risks of arrearage for access and security of the Library's unprocessed collections. The report: Special Collection Backlogs: An Assessment of Unprocessed Arrearages at the Library of Congress was submitted to the Associate Librarian for Library Services on September 29, 2017, and will inform the decisions during fiscal year 2018 and beyond as the Library addresses access and security risks to the nation's unparalleled collections.

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

Performance Target: Inventory 500,000 items in the General Collections to secure the national collection.

Accomplishment: CALM inventoried 821,391 items, 64% above the planned target level, in the Library's general collections in fiscal year 2017 to support accurate tracking in order to secure and provide access to a universal collection of knowledge, and the record of America's creativity. In order to facilitate an Office of Compliance concern about books on the floor, CALM used overtime for a rapid inventory project to move 400,000 items off the floor to Cabin Branch, MD, the new leased off-site storage facility that opened in 2016. This accelerated inventory project resulted in additional items (more than the number originally estimated in the APG target formulation stage which began in fiscal year 2016) being inventoried so that they could be tracked and moved to the offsite storage facility and off the floors on the Capitol Hill campus.

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: Achieve throughput targets for cable filings.

Performance Target: More than 93% of paper cable filings of Statements of Account (SAs) closed within 12.5 months for SA3s and 4 months for SA1-2s.

Accomplishment: All performance targets were achieved in fiscal year 2017. The cable statement of account (SOA) throughput targets were all surpassed for all relevant SOA accounting periods.

Annual Performance Goal: Increase the number of scanned card records integrated into the Copyright Office public catalog database.

Performance Target: Complete conversion of Card Catalog TIFF images to a grouped Optical Character Recognition (OCR) dataset for 1971-1977.

Accomplishment: Public Records and Repositories (PRR) continued working on creating service copies (derivatives) and using OCR technology to extract datasets from the archival images of the card catalog. PRR has completed work on over 11 million card images including the complete 1971-1977 index and 30% of the 1955-1970 index. Grouping, the first step towards indexing the cards was completed on the 1971-1977 index and data perfection was completed on a small set of grouped OCR datasets. In addition, PRR awarded contracts to expedite the remaining OCR and JPEG conversion, conduct an Industry Analysis of Alternatives for the best path forward, and to develop a Virtual Card Catalog Proof of Concept for public review and comment. The 2017 goal was not met and is currently in amber status because PRR did not accept the contractor's work. In accordance with the

current contract, the contractor corrected the erroneous data sets and recently re-submitted the work to PRR. Staff are performing quality assurance review of the work, and it will either be accepted or returned to the contractor again for corrections.

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 fiscal year 2015 have received training in the copyright law, compendium, and examining handbook, achieving independence by the end of the current fiscal year.

Accomplishment: All of the examiners hired in fiscal year 2015 completed their training in copyright law and registration practices. They have been promoted to the GS-11 level examiner position, and are handling claims appropriate for their current positions to decrease pendency times for examining applications and issuing registrations or refusals.

Annual Performance Goal: Improve the Library's collections by selecting and appropriately processing Copyright deposit transfers in all formats desired for the collections.

Performance Target: 215,000 items are received through Copyright deposit transfer.

Accomplishment: The Library selected and appropriately processed for the collections 20,739 Copyright deposit transfer items in digital formats and more than 216,084 Copyright deposit transfer items in analog formats, exceeding the annual target by 38 percent for digital and 8 percent for analog Copyright deposit transfers. The high number of transferred digital Copyright deposits selected and processed for the Library reflects the rapid shift in the ratio of analog to digital publications. The Library's collections were improved by the addition of the most recent publications in the United States, in a range of formats and subject matters needed by congressional and other users, without additional expenditures from the Library's budget.

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

Annual Performance Goal: Leverage collaborative opportunities with internal and external organizations to help us serve and engage K-16 educators across the curriculum.

Performance Target 1: Publish materials in a variety of outlets (online, in print, and via social media) that highlight the Library's collections, provide strategies for teaching with primary sources, and engage colleagues across the Library.

Performance Target 2: Create professional development opportunities for K-16 educators across the curriculum that highlight the Library's collections, provide strategies for teaching with primary sources, and engage colleagues across the Library.

Accomplishment: In fiscal year 2017, NIO successfully leveraged collaborative opportunities with internal and external organizations to help the Library serve and engage K-16 educators across the curriculum. NIO exceeded their goals, publishing material online, in print and via

social media. NIO also created multiple professional development opportunities for K-16 educators across the curriculum that highlighted the Library's collections and engaged Library colleagues from the Music Division, the Young Readers Center and the Children's and Young Adult's Cataloging Program (CYAC).

Annual Performance Goal: Make the LC Digital Collection of greater benefit to Congress, the American People, and the world.

Performance Target: National Digital Initiative (NDI) will establish structure to enable enhanced engagement with digital researchers (including students, life-long learners, and scholars).

Accomplishment: In fiscal year 2017, NDI began several new programs to make the LC Digital Collection of greater benefit to our communities. NDI launched a crowdsourcing application, launched the labs.loc.gov platform, invited the first external "Innovator in Residence" to the Library, recommended the next Papamarkou chair, proposed and began work on a Library-wide transcription platform, hosted a software carpentry event, hosted a hackathon, and began building relationships with potential funders, users, and contributors.

Annual Performance Goal: Work with World Digital Library (WDL) partners to add content of high historical and cultural value to the WDL, including content from and about the United States.

Performance Target: 1,280 documents added to the WDL, increasing the total number of documents to 16,036.

Accomplishment: A total of 1,805 documents (116,879 pages) were added to the WDL, bringing the total to 16,561 documents (904,675 pages). The WDL attracted more than 7.1 million visits in fiscal year 2017, 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 customer experience and transactional efficiencies by investing in customer research and behavior modeling to cost-effectively develop a data driven marketing and outreach strategy.

Performance Target: Three customer service initiatives to include: 1. customer journey mapping/evaluation, 2. develop integrated E-commerce strategy, 3. solicitation for CRM (Customer Relationship Mapping) system.

Accomplishment: Customer journey mapping was completed by Gallup in December 2016. Gallup aided the Library's Business Enterprises (BE) Office in prioritizing improvements required in all three lines of business. BE has modeled a retail ecommerce strategy. In April 2017, our Shopify site was relaunched and sales have organically increased. BE also engaged Ignited to execute a multichannel marketing campaign (shop and online) that includes print collateral, banner advertising and google ads. This initiative will roll-out in October 2018 for the holiday season. Additionally, BE successfully solicited for a firm to implement its CRM system. The contract was awarded in September 2017. The scope of work includes updating

our existing Enterprise Resource Planning (ERP) platform, so that a CRM module can be added.

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 continued to be a valuable Strategic Sourcing option for the Federal Library Community in fiscal year 2017 by providing enterprise contracts for books, serials and information retrieval services. Additionally, by leveraging economies of scale in contracting with major vendors in the library community, FEDLINK was able to save \$30 million in cost savings and cost avoidance for Federal Libraries.

Annual Performance Goal: Expand publishing volume and broaden access to publications while ensuring that resulting titles are published in accordance with industry best practices.

Performance Target: Develop a comprehensive and sustainable e-book strategy for the Library and supplement the co-publishing model with direct publishing in print and digital forms.

Accomplishment: In fiscal year 2017, the Publishing Office made progress in developing a comprehensive and sustainable e-book strategy by completing the Discovery/Initiation analysis of the Library's e-book needs and digital publishing goals and obtained approval from the Web Governance Board to commence a Pilot Phase with the help of the Government Publishing Office. The Pilot Phase will help the Publishing Office determine viable options for direct publishing in print and digital forms. The Publishing Office achieved its goal of increasing the volume of material published. In fiscal year 2017, the Office co-published five new books, three puzzles, six calendars, and a sticker book (versus two major new books and three licensed products in fiscal year 2016). To further its goal of expanding volume, the Publishing Office staff also made significant progress on ten books to be published in the next 1-2 years, and eight sideline products. Activities contributing to this significant forward momentum include: research, concept development, developmental editing, proposal preparation, solicitation of potential co-publishers, contract negotiation, review of manuscripts and page proofs, and promotion.

Annual Performance Goal: Expand the scope and quantity of titles available in alternative formats throughout the NLS system.

Performance Target: Add 7,000 titles to Braille and Audio Reading Download (BARD)

Accomplishment: National Library Service for the Blind and Physically Handicapped (NLS) has added 14,072 titles to BARD year to date, which exceeds the target by 101%. The significant number of titles added is due to a higher than expected completion of the conversion of analog to digital titles as well as additions from network libraries.

Annual Performance Goal: Support significant use of the Library's collections by offering opportunities for resident researchers in the Kluge Center, and showcase the results through programs and publications for the benefit of the U.S. Congress, policymakers and the public.

Performance Target 1: Complete two competitions for senior chair positions and make offers for at least four chairs by the end of fiscal year 2017 to provide opportunities for leading researchers to make significant, sustained use of the Library's collections.

Performance Target 2: Complete eight fellowship competitions by the end of fiscal year 2017 to provide opportunities for new researchers to make significant, sustained use of the Library's collections.

Performance Target 3: Present 30 public programs by the end of fiscal year 2017 to showcase the research and educational potential of the Library's collections.

Accomplishment: The Kluge Center staff expanded the use of the Library's collections through its Fellowship and Senior Chair opportunities, as well as through public events. The Center housed approximately 24 new researchers and six senior scholars during the course of the fiscal year. In addition, the Center sponsored congressional programs, podcasts, lectures, and other events throughout the year, including beginning two new Congress-focused programs for Members and staff during the last two months of the fiscal year. In the congressionally-focused events, the Center reached dozens of Members of Congress and hundreds of congressional staff. The Center met its goals despite challenges in meeting some specific deadlines on the Fellowship competitions. The Center is working toward rectifying its challenges in that area.

Annual Performance Goal: Strengthen programs that engage with the higher education community to advance experiential learning, professional development, and scholarly exchange at the Library of Congress.

Performance Target: Increase awareness of Library of Congress fellowship, internship, residency, and training programs to stakeholder communities through outreach, and increase participation in these programs for both Library staff and external partners to support their mission-critical endeavors.

Accomplishment: Internship and Fellowship Programs (IFP) welcomed 37 Junior Fellows who took on 29 projects in 20 divisions across five service units. The program's reach increased, resulting in more projects and placements within more divisions and service units than in 2016. Visibility for the Display Day was increased by opening it to the public, and the fellows' stipends were increased to provide better financial support for the students. IFP strengthened the Library's relationship with the Hispanic Association of Colleges and Universities (HACU) by consolidating the recruitment and placement processes, streamlining onboarding and program administration, and increasing the visibility of interns across the Library. IFP added 24 new topical trainers to its digital preservation network and convened a group of thought leaders to develop a roadmap for professional development and training, although the program fell short of its target of 48 total additions. IFP successfully launched an online portal to promote 75 fellowship, internship, and volunteer opportunities at the Library. The portal increases the Library's capacity to foster learning and career development

for secondary and higher-education communities that support the Library's core functions to acquire, describe, make accessible, secure, and preserve a universal collection of knowledge in physical and electronic formats. IFP successfully completed the 2016–2017 cohort of the National Digital Stewardship Residency Program (NDSR), and established a resident to support the Georgian Papers Program. The lessons learned from the program informed the development of a digital stewardship field manual to meet the goals of the interagency agreement with the Institute of Museum and Library Services (IMLS), and will benefit a wide range of cultural heritage institutions facing a myriad of 21st-century information management challenges.

Annual Performance Goal: Increase awareness of legal developments and law collections through a variety of outreach efforts and Library of Congress exhibits, programs and events.

Performance Target: By the end the fiscal year, host over 100 briefings and orientations, convene at least ten recurring and new public programs, mount ten major exhibitions and pop-up displays, and produce two new publications and continue electronic communications and use of social media.

Accomplishment: In fiscal year 2017, the Law Library created research reports that covered significant and relevant topics in foreign, comparative, and international law. The Law Library co-sponsored a major exhibit, Drawing Justice: The Art of Courtroom Illustration, that opened April 27 and runs through December 30, 2017. Continuing its tradition of law-related events, the Law Library staged Law Day (May) and Constitution Day (September) programs. The Law Library held an event in June – Justice for Shylock: A Mock Appeal Commemorating the 500th Anniversary of the Venice Ghetto – that featured U.S. Supreme Court Associate Justice Ruth Bader Ginsburg. The result of these outreach efforts was demonstrated by strong survey responses from attendees. Each event provides an opportunity to highlight the Law Library's collections, services, products and expertise.

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

Performance Target 1: Open six new exhibitions featuring the Library's rich, cultural 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. Improve the user experience onsite and online by use of new technologies and best practices.

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

Accomplishment: Over the course of fiscal year 2017, the Interpretive Programs Office (IPO) opened two major temporary exhibits, three pop-up exhibits and 12 agile case displays. These exhibits combined were seen by approximately 1,000,000 visitors. The Library's exhibition program's goals of showcasing and providing increased access to the Library's collections were met as planned. IPO developed, designed, fabricated and installed a variety of exhibitions telling meaningful stories that had emotional and intellectual resonance with the Library's audiences. Interpretive programming of many of our exhibits gave additional insight to our visitors into the Library's collections and the stories surrounding them. As well,

digital versions of the major temporary exhibits were available on-line to reach additional audiences.

Annual Performance Goal: Engage and inspire the Library of Congress's diverse on-site audiences so they recognize the value of their national library and the breadth of the nation's creative achievements.

Performance Target 1: Provide stimulating and engaging visitor experiences to diverse audiences by developing and supporting various offerings (apps, tours, printed materials, hands-on Explore Carts, and customized visits).

Performance Target 2: Expand outreach to specific audiences.

Performance Target 3: Develop plan to ensure increased numbers of visitors is adequately handled through innovative space use and expanded visitor services and accommodations.

Accomplishment: The Library has hosted more than 1.9 million visitors to the Capitol Hill Campus in fiscal year 2017. More than 1.5 million entered through the visitor entrances to tour the historic Thomas Jefferson Building and visit exhibitions. Visitor Services Office (VSO) developed family activities related to the Presidential inaugural activities, developed content or launched two "Explore!" carts, tours for visitors who are blind or have visual impairments, and a mythology tour. VSO volunteers led tours especially designed for family groups, and others.

Annual Performance Goal: Attract new and diverse audiences to the Library by collaborating with congressional offices, nonprofit organizations, corporations and embassies to host special events and public programs.

Performance Target: Represent the Library positively to external constituencies by providing excellent customer service while serving as an ambassador.

Accomplishment: The Office of Special Events and Public Programs (OSEPP) succeeded in attracting new and diverse audiences to the Library by collaborating with external entities to host special events and public programs including 150 congressional, 37 nonprofit and 15 corporate events while working with many embassies representing countries such as Serbia, Italy, Bulgaria, Poland, Colombia, and the Netherlands. Events such as the unprecedented Library Bibliodiscotheque Feat with Gloria Gaynor brought a significant amount of younger guests - most of whom had never been to the Library - and who left with a deeper understanding and appreciation of its relevance. This is evidenced in social media and press coverage of the event.

Annual Performance Goal: Promote reading and literacy, books and libraries, poetry and literature through a number of national program events and in partnership with national and international organizations.

Performance Target: Plan and execute more than 75 programs, activities, and/or collaborations in partnership with internal and external organizations promoting reading and literacy, books and libraries, poetry and literature. (Areas of focus: National Book Festival, Library of Congress

Literacy Awards, Poetry & Literature Center, Young Readers Center, National Ambassador for Young People's Literature, Letters About Literature)

Accomplishment: The Center for the Book (CFB) completed 76 programs and/or collaborations that promoted reading, literacy, books, poetry and literature. Signature programs include the Poet Laureate, Letters about Literature, the Library of Congress Literacy Awards, and managing the nationwide network of 54 affiliated Centers for the Book. For the first half of the fiscal year, CFB maintained responsibility for the Young Readers' Center, which moved to Education Outreach for Q3 and Q4.

Strategy #5: Empower the workforce for maximum performance.

Annual Performance Goal: Improved Human Resources Services (HRS) processing time of Vacancy Announcement Requests (VARs) by meeting established process step timeframes 80% of the time.

Performance Target: Improved Human Resources Services (HRS) processing time of Vacancy Announcement Requests (VARs) by meeting established process step timeframes 80% of the time.

Accomplishment: The Hiring Management System was fully utilized by HRS and all service units in the Library during the 4th quarter of fiscal year 2017. Timeframes for key hiring metrics were calculated for completed hiring actions, and HRS met or exceeded the process step metrics 88% of the time.

Annual Performance Goal: Updated Human Capital Management Plan is developed and implemented.

Performance Target: Updated Human Capital Management Plan (HCMP) is developed and implemented.

Accomplishment: By September 30, 2017, HRS developed a strategy for implementation of the HCMP and began implementation of strategies 1, 2, 3, 4 and 6.

Annual Performance Goal: Labor & employee relations support services are improved by meeting established baseline measures 80% of the time.

Performance Target: Labor & employee relations support services are improved by meeting established baseline measures 80% of the time.

Accomplishment: Timeframes for key labor relations and employee relations metrics were established and tracked during this fiscal year. HRS met or exceeded the process timeframes for Labor Relations 82% of the time and for Employee Relations 88% of the time.

Annual Performance Goal: 85% of staff performance management documents are recorded in EmpowHR.

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

Accomplishment: In fiscal year 2017, 94% (9,880 out of 10,501) of staff performance management documents that were due in the past 12 months were recorded in EmpowHR. The high level of compliance is evidence that Library supervisors are fulfilling their performance management responsibilities to support a results-oriented, high-performance culture.

Annual Performance Goal: Educate and train Library staff on response procedures contained in the updated Employee Emergency Action Guide (2016 version).

Performance Target: Educate and train all Office Emergency Coordinators (OEC) and Floor Wardens on the updated Employee Emergency Action Guide (average 375 personnel).

Accomplishment: Over the course of fiscal year 2017, emergency preparedness staff conducted education and training on emergency response procedures contained in the Employee Emergency Action Guide, in addition to Occupant Emergency Action Plans, using several means. They included monthly OEC meetings, classes taught from on-line sign-up through the On-Line Learning Center, All-Hands meetings called by management, special training sessions requested by service units, and through drills and exercises conducted across all nine facilities.

Annual Performance Goal: Usage of the Library SkillPort resources is increased by 5% over the fiscal year 2016 baseline.

Performance Target: Usage of the Library SkillPort resources is increased by 5% over the fiscal year 2016 baseline.

Accomplishment: In fiscal year 2017, HRS surpassed both the target Library-wide utilization of the Library SkillPort online resources by 7% and also the utilization in fiscal year 2016. This resulted in a total utilization of 14,941 accesses for non-mandatory training and development. Library staff and management have benefitted from using award-winning courseware that provides instruction on a wide range of relevant information technology, business skills, and computer desktop skills. Enhanced skills and competencies of Library staff, allows for full support of the Library's mission.

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

Annual Performance Goal: Improve business process efficiency and functionality in the Legislative Branch Financial Management System (LBFMS)

Performance Target 1: A Momentum upgrade has been implemented for the LBFMS.

Performance Target 2: Market research and cost-benefit analysis of federal financial systems is completed and informs the future of LBFMS.

Accomplishment: The Financial Systems Office in OCFO successfully led an upgrade to the Legislative Branch Financial Management System (LBFMS), as well as a strategic study of the LBFMS. The upgrade was accomplished on target and provided the legislative branch with the opportunity to reduce the per user cost, and standardize financial operations, stylesheets, and some workflow. The upgrade also supported the Government Accountability Office's planned migration to the LBFMS in fiscal year 2018. The completed LBFMS study provides LOC management with an evaluation of the federal financial systems marketplace, as well as recommendations for preparing for a fiscal year 2018 solicitation that will provide the LBFMS with an optimal operating model and multi-year support contract.

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 Government Accountability Office (GAO) is on target for integration into the LBFMS.

Accomplishment: Starting October fiscal year 2018, the Government Accountability Office (GAO) will begin its migration to the Legislative Branch Financial Management System (LBFMS). GAO is expected to fully integrate and assimilate into the LBFMS and mitigate remaining project gaps in fiscal year 2018. During fiscal year 2017, the GAO and the Library agreed that 12 gaps in the project plan will be resolved after the GAO's migration to the LBFMS. As a result, the target to mitigate all gaps prior to integration was only able to achieve a 76% mitigation rate (38 of 50). However, GAO will become the eighth agency cross-serviced by the Library. Continued expansion of the LBFMS shared services environment provides additional savings opportunities for the Legislative Branch through consolidating transaction processing, eliminating services overhead, standardizing financial operations, and reducing other costs.

Annual Performance Goal: Decrease duplication of IT services through improved IT governance policies and procedures.

Performance Target: OCIO has established a baseline inventory of IT services in order to identify and decrease duplication across the Library.

Accomplishment: The project to complete a baseline inventory of Library-wide IT services was successfully completed in fiscal year 2017. In addition, OCIO established a process for managing and reviewing IT services to minimize potential duplication. This effort will serve to provide management with data that will inform where IT resources might best be utilized and where activities might be scaled back in order to most effectively use limited resources.

Annual Performance Goal: Improve the Library's IT management through implementation of institution-wide IT standards and policies.

Performance Target: Baseline established for the number of Library staff who search the OCIO intranet website for information regarding IT policies and standards and are satisfied with what they find.

Accomplishment: The baseline was established in fiscal year 2017. By gathering data on the kinds of information that staff seek, OCIO will be better able to customize the information it presents on its website to address the needs of Library staff. In implementing institution-wide IT standards and policies and publishing them on the staff intranet site, OCIO began its effort to improve the Library's overall IT management. In addition, publishing standards and policies enables Library staff to better understand requirements and processes for IT resource use, and helps management to make informed decisions regarding the use of limited resources.

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

Annual Performance Goal: Assess the degree to which Office of Contracts and 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, and one or more Plan of Action and Milestone (POAM) will be developed.

Accomplishment: The OCGM Director, led the Contract Working Group in the development and implementation of actions targeted to improve satisfaction with the Library's contract function. As of 09/30/2017, the group developed and successfully implemented 11 actions to improve client service, including:

- Expanded communications regarding the availability of key resources on the OCGM website, enhanced expectations regarding interaction with contract staff following submission of requests, and improved availability of current information through the acquisition pipeline.
- Increased transparency of operations through publication of acquisition Lead Times to include pre-procurement acquisition package development and planning activities, lead time and award milestones.
- Improved responsiveness through streamlined contract engagement for simplified purchases and purchase card ordering procedures.
- Enforced greater consistency in assignment, feedback, and notification procedures
- Improved Contracting Officer-Contracting Officer's Representative (CO-COR) interaction through development of an interactive outreach forum to be incorporated into the fiscal year 2018 training program.
- Delivered client service training to OCGM Staff to include information dissemination, responsiveness, and accountability and outreach.
- Improved communication with service unit management through periodic briefings to the Operations Committee.

Annual Performance Goal: The Library transitions to an integrated Risk Management Program (RMP).

Performance Target: The Library has piloted and transitioned to an integrated Risk Management Program (RMP), establishing the Library-wide risk register and risk profile by September 30, 2017.

Accomplishment: During fiscal year 2017, the Library continued efforts to improve its risk management and internal control processes. The Office of Strategic Planning and Performance Management (SPPM) designed the new integrated process and conducted a pilot in collaboration with the Library's Office of the Chief Information Officer (OCIO). Based on lessons learned during the pilot, the approach was refined. This enabled the Library to begin full transition to the new integrated risk management and internal control process in May, 2017. Service unit managers were trained and coached in their role in identifying, assessing, and creating risk and internal control plans for responding to risks and complying with applicable laws and regulations. SPPM set up structures and tools to manage the process. This work culminated in the launch of the Library's integrated risk and internal controls process (iRIC) on October 1, 2017. The Library is now positioned to deepen the connection between planning, performance management, risk management and internal control, as well as anticipate and overcome management challenges.

Annual Performance Goal: Strengthen the Library's indirect cost (IC) program through improved methodologies for calculation of indirect cost rates.

Performance Target: Review the fiscal year 2016 report summarizing current state of IC program and initiate an evaluation to improve the indirect cost calculation process and strengthen engagement, fairness and understanding in the distribution of Administrative Working Funds.

Accomplishment: The Financial Reports Officer in OCFO collaborated with stakeholders throughout the Library to initiate review of the indirect cost calculation methodologies, assess the fiscal year 2016 report recommendations, evaluate the revolving funds business alignment to the core mission, and develop a timeline for setting the next Administrative Working Funds rate calculation. The effort will inform further evaluations and decisions on methodologies in fiscal year 2018 and improve the indirect cost calculation process to strengthen engagement, fairness and understanding in the distribution of AWFs, which support important Library activities.

Annual Performance Goal: Improve range of audiences exposed to the Library of Congress by capitalizing on the arrival of a new Librarian.

Performance Target 1: By September 30, 2017, generate stories in at least 15 new and/or different media outlets that have not covered the Library in the past five years.

Performance Target 2: By September 30, 2017, increase @LibnofCongress Twitter followers by 30,000.

Accomplishment: This goal was achieved. The Office of Communications connected with and placed stories and interviews with the Library and Librarian in 20 outlets that previously have not covered the Library of Congress (goal was 15). These placements resulted in exposure for the Library to millions of viewers/readers. As well, the @LibnofCongress Twitter account proved more popular than anticipated. The account now has nearly 50,000 followers

(goal for year was 30,000), providing opportunity for regular engagement with this community of followers.

Annual Performance Goal: Increase engagement with Library of Congress collections via home page.

Performance Target 1: By September 30, 2017, increase home page visits by 10%.

Performance Target 2: By September 30, 2017, improve home page bounce rate by 10%.

Accomplishment: This goal was achieved in part. The new homepage functionality was a great improvement over the previous design. Dynamic presentation improved the bounce rate significantly from last year - about 40 percent when a planned goal was 10 percent. As well, dynamic content resulted in a significant return rate (nearly 40 percent), including more than 20 percent of users who visit the home page at least once/week. The Communications Office aggressively promoted the home page and its evolving content through social media and blog posts. In particular the Free to Use and ReUse section was very popular. However, lacking resources in Web Services dedicated to updating the user interface as planned, further maximizing and growing home page use will be a challenge.

Annual Performance Goal: Adjudicate background investigations for employees and non-employees to support a timely hiring process.

Performance Target: Adjudicate at least 90% of non-issue background investigations for employees and non-employees within 5 business days, and at least 75% of issue background investigations within 15 business days, of receipt of completed Office of Personnel Management (OPM) investigations.

Accomplishment: The adjudication timeliness threshold for Q4 was not met. Thirty-two out of 76 issue cases (42%) were adjudicated within 15 business days of receipt. Of 19 non-issue cases, none were adjudicated within five business days of receipt. The lack of e-delivery and having to travel once per week to the OPM to pick up paper cases impacts Personnel Security Office (PSO) timeliness. Technology enhancements such as a case management system would help improve this as well. Staffing levels continue to be improved helping PSO close the gap towards meeting our performance targets.

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

Performance Target: High risk hazards (Risk Assessment Codes 1 and 2) are corrected within 4 weeks of citation or the actions within the approved abatement plan are on schedule.

Accomplishment: In fiscal year 2017, all high risk hazards (eight in total) have been addressed. Three citations have been closed and corrective action plans have been developed for the remaining five citations.

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 and within budget rate.

Accomplishment: Based on the September 2017 Projects report: of the 114 facility projects on the schedule for fiscal year 2017: 105 were on schedule (92%) and within budget; 48 were completed (42%); 57 were in progress (50%); six are on hold or canceled by the Service Unit (6%); and three were behind schedule (2%). Completed projects support the Library's staff and patrons in accessing the collections and working/researching in optimized facilities.

Annual Performance Goal: Conduct Site Assistance Visits (SAVs) to Library Divisions on a three year cycle to ensure continual staff compliance with Library policies and procedures relating to the handling and storing of collections.

Performance Target: Conduct sixteen SAVs

Accomplishment: The Library conducted 23 Site Assistance Visits (SAVs) in fiscal year 2017, surpassing the standard of 16 for the year. The SAV program strengthened the Library's Collections Security Plan for this year by looking at all types of business units whether or not they used or maintained collections to ensure all aspects of the "Strategic Plan for Safeguarding the Collections" were observed and when not, recommendations and measures were put in place to bring the unit into compliance. SAV Round #6 will be completed in fiscal year 2018 when the SAV team members will convene to discuss ways to strengthen the program for Round #7.

Annual Performance Goal: Direct a strong, sustainable development program for the Library of Congress to support priority initiatives requiring private sector funds.

Performance Target: Raise a minimum of \$3 million in private funds for key Library initiatives and \$900,000 in unrestricted funds.

Accomplishment: In fiscal year 2017, a total of \$7.2 million in restricted funds and \$1.225 million in unrestricted funds were raised for Library initiatives. Private funds raised by the Library support signature initiatives and events that serve Congress and the nation. These activities also make the Library more accessible and relevant.

Annual Performance Goal: Consistently fulfill the Library's contractual requirements through timely negotiation and award of contracts.

Performance Target 1: Requisitions assigned, reviewed, and initial feedback provided to clients in 5 days.

Performance Target 2: Procurement actions are completed within published Procurement Action Lead Time (PAL-T) targets.

Accomplishment: The Office of Contracts and Grants Management (OCGM) negotiated and awarded 3,148 contract actions valued at \$264.3 million, an increase of 29% in the number of actions and 15% in dollars over the prior fiscal year.

OCGM improved the efficiency of contract operations through the consolidation of like requirements for software, hardware and professional services onto a series of Library and Legislative Branch-wide contracts. OCGM awarded the same number of contract actions by July 31st, 2017 as were awarded in the previous fiscal year, enabling the Library to negotiate 140 contract actions valued at \$17.7 million for requisitions submitted after published deadlines which the office otherwise may not have been in a position to accept and successfully award.

OCGM improved the timeliness of their internal operations including reduced time for requisition assignment, review, and feedback and timely completion of Procurement Actions pursuant to lead time targets. During fiscal year 2017, 92% of requisitions were assigned, reviewed and feedback provided within 5 days of receipt. Ninety-five percent of procurement actions were completed timely within Procurement Action Lead Time (PALT) targets.

Internal Control Program, Systems, Controls, and Legal Compliance

The Library's Internal Control Program (ICP) informs the Librarian of Congress, the acting Deputy Librarian, and the Executive Committee about the status of internal controls in the Library of Congress programs and key functions from the 1st of October to the 30th September of every fiscal year. The Library assigns module officials to review and manage programs and key functions covered by the ICP. The ICP requires every module official to conduct annual risk self-assessments called Vulnerability Assessments (VAs). The module officials conduct periodic Detailed Control Reviews (DCRs) based on the results of these assessments for selected modules. The Library's policy, as provided in Library of Congress Regulation (LCR) 1-630 (formerly 1510-1), states that:

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

During fiscal year 2017, all ICP module officials (105) performed VAs on the identified financial and non-financial programs and key functions. Based on the results of the VA risk scores, module officials conducted 52 DCRs. These periodic reviews help managers determine if control techniques are in place and working as intended. From the 52 DCRs, module officials identified 51 deficiencies and created new Corrective Action Plans (CAPs) to address these deficiencies. There were 45 Letter Findings and six Significant Deficiencies. The Library did not find any Material Weaknesses this fiscal year.

In fiscal year 2017, 40 CAPs were closed. Twice, two CAPs merged into one; others were closed because they were categorized as administrative tasks that will be documented and monitored by the accountable units that originated them. This resulted in ten unresolved open CAPs for fiscal year 2017 and five unresolved open CAPs from fiscal years 2012, 2014, 2015, and 2016, for a total of 15 unresolved open CAPs Library wide as of September 30, 2017.

The Strategic Planning and Performance Management office (SPPM) has recently implemented the integrated Risk Management and Internal Control Process (iRIC), a new program approved by the Office of the Librarian and the Executive Committee, which replaced the ICP on October 1st, 2017. With this new program, the ICP unresolved open CAPs were transferred into the new iRIC Risk Analysis and Management Plans (RAMPs). The RAMP is the new tool developed to replace the CAP, designed to be a living document for managing risk. Review by SPPM corroborated that all unresolved open CAPs are adequately represented in the RAMPs. The relocated CAPs will be monitored, tracked and periodically reported by the risk owners until the deficiencies are resolved. All CAPs closed during fiscal year 2017 were listed in the Letters of Assurance to the acting Deputy Librarian, issued by each service unit at the end of the fiscal year (September 29, 2017).

Limitations of the Financial Statements

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

THE LIBRARY OF CONGRESS

Consolidated Balance Sheets

As of September 30, 2017 and 2016

	(in thousands)	
	FY 2017	FY 2016
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 338,418	\$ 317,622
Investments (Note 3)	30,053	30,265
Accounts Receivable, Net (Note 4.A)	3,001	4,413
Advances and Prepaid Expenses (Note 1.I)	5,348	10,026
Total Intragovernmental	376,820	362,326
Cash and Other Monetary Assets (Note 1.G)	53	53
Pledges Receivable – Donations (Note 4.B)	7,312	8,036
Investments (Note 3)	140,942	128,241
Inventory and Operating Materials (Note 1.K)	322	341
Property and Equipment, Net (Note 5)	50,580	49,557
Beneficial Interest in Perpetual Trust (Note 1.R.3)	2,793	2,521
Other Assets	597	415
Library Collections (Note 1.M)		
TOTAL ASSETS	\$ 579,419	\$ 551,490
LIABILITIES		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 3,540	\$ 3,930
Advances from Others	38,689	45,262
Accrued Unfunded Workers' Compensation (Note 8)	1,498	1,599
Other Intragovernmental Liabilities (Note 10)	2	2
Total Intragovernmental	43,729	50,793
Accounts Payable and Accrued Funded Payroll, Benefits	49,424	56,582
Deposit Account Liability	8,423	7,388
Accrued Unfunded Annual and Compensatory Leave	25,575	25,418
Actuarial Unfunded Workers' Compensation (Note 8)	7,223	7,831
Other Liabilities (Note 10)	5,623	4,714
TOTAL LIABILITIES	\$ 139,997	\$ 152,726
Commitments and Contingencies (Note 9)		
NET POSITION		
Unexpended Appropriations – All Other Funds	\$ 181,264	\$ 159,066
Cumulative Results of Operations – All Other Funds	31,235	29,985
Total Net Position – All Other Funds	212,499	189,051
Cumulative Results of Operations – Dedicated Collections (Combined) (Note 17)	226,923	209,713
Total Net Position – Dedicated Collections (Combined) (Note 17)	226,923	209,713
TOTAL NET POSITION	\$ 439,422	\$ 398,764
TOTAL LIABILITIES AND NET POSITION	\$ 579,419	\$ 551,490

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, 2017 and 2016

	(in thousands)	
	FY 2017	FY 2016
NET COSTS BY PROGRAM AREA		
Library Services:		
Program Costs	\$ 365,106	\$ 368,141
Less: Earned Revenue	(3,859)	(3,973)
Net Program Costs	361,247	364,168
National and International Outreach:		
Program Costs	192,343	186,813
Less: Earned Revenue	(72,385)	(69,665)
Net Program Costs (Note 1.S)	119,958	117,148
Law Library:		
Program Costs	34,119	31,027
Less: Earned Revenue	(242)	(254)
Net Program Costs	33,877	30,773
Copyright Office:		
Program Costs	83,423	80,778
Less: Earned Revenue	(41,271)	(41,903)
Net Program Costs	42,152	38,875
Congressional Research Service:		
Program Costs	152,390	146,774
Less: Earned Revenue	(270)	(360)
Net Program Costs	152,120	146,414
NET COSTS OF OPERATIONS	\$ 709,354	\$ 697,378

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, 2017 and 2016

(in thousands)

	FY 2017			FY 2016		
	Dedicated Collections (Combined)	All Other Funds (Combined)	Consolidated Total	Dedicated Collections (Combined)	All Other Funds (Combined)	Consolidated Total
CUMULATIVE RESULTS OF OPERATIONS						
Beginning Balances	\$ 209,713	\$ 29,985	\$ 239,698	\$ 192,947	\$ 27,957	\$ 220,904
Budgetary Financing Sources:						
Appropriations Used	0	604,734	604,734	0	595,095	595,095
Non-exchange Revenue	547	2	549	443	0	443
Donations of Cash or Securities	5,694	6	5,700	9,639	0	9,639
Realized Gains on Investments and Other	13,657	0	13,657	2,898	0	2,898
Other Financing Sources (Non-exchange):						
Donations of Property and Services	983	0	983	1,078	0	1,078
Imputed Financing	2,218	95,874	98,092	2,454	97,233	99,687
Unrealized Gains on Investments and Other	4,099	0	4,099	7,332	0	7,332
Total Financing Sources	27,198	700,616	727,814	23,844	692,328	716,172
Net Cost of Operations	(9,988)	(699,366)	(709,354)	(7,078)	(690,300)	(697,378)
Net Change	17,210	1,250	18,460	16,766	2,028	18,794
CUMULATIVE RESULTS OF OPERATIONS	\$ 226,923	\$ 31,235	\$ 258,158	\$ 209,713	\$ 29,985	\$ 239,698
UNEXPENDED APPROPRIATIONS						
Beginning Balances	\$ 0	\$ 159,066	\$ 159,066	\$ 0	\$ 161,729	\$ 161,729
Budgetary Financing Sources:						
Appropriations Received	0	631,958	631,958	0	599,912	599,912
Other Adjustments	0	(5,026)	(5,026)	0	(7,480)	(7,480)
Appropriations Used	0	(604,734)	(604,734)	0	(595,095)	(595,095)
Total Budgetary Financing Sources	0	22,198	22,198	0	(2,663)	(2,663)
TOTAL UNEXPENDED APPROPRIATIONS	\$ 0	\$ 181,264	\$ 181,264	\$ 0	\$ 159,066	\$ 159,066
NET POSITION	\$ 226,923	\$ 212,499	\$ 439,422	\$ 209,713	\$ 189,051	\$ 398,764

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, 2017 and 2016

(in thousands)

	FY 2017	FY 2016
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 107,310	\$ 93,817
Recoveries of unpaid prior year obligations	25,393	14,667
Other changes in unobligated balance (+ or -)	5,901	(1,493)
Unobligated balance from prior year budget authority, net	138,604	106,991
Appropriations (discretionary and mandatory)	687,075	617,222
Spending authority from offsetting collections (discretionary and mandatory)	122,028	133,021
TOTAL BUDGETARY RESOURCES	\$ 947,707	\$ 857,234
STATUS OF BUDGETARY RESOURCES		
New Obligations and upward adjustments, total (Note 18)	\$ 838,002	\$ 749,924
Unobligated balance, end of year:		
Exempt from apportionment, unexpired accounts	91,260	95,678
Expired unobligated balance, end of year	18,445	11,632
Unobligated balance, end of year (Total)	109,705	107,310
TOTAL BUDGETARY RESOURCES	\$ 947,707	\$ 857,234
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, October 1 (gross)	\$ 227,983	\$ 227,901
New Obligations and upward adjustments	838,002	749,924
Outlays (gross) (-)	(798,348)	(735,175)
Recoveries of prior year unpaid obligations (-)	(25,393)	(14,667)
Unpaid obligations, end of year (gross)	242,244	227,983
Uncollected Payments:		
Uncollected customer payments from federal sources, brought forward, October 1 (-)	(4,797)	(9,800)
Change in uncollected customer payments from federal sources (+ or -)	2,027	5,003
Uncollected customer payments from federal sources, end of year (-)	(2,770)	(4,797)
OBLIGATED BALANCE, START OF YEAR (NET)	\$ 223,186	\$ 218,101
OBLIGATED BALANCE, END OF YEAR (NET)	\$ 239,474	\$ 223,186
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 809,103	\$ 750,243
Actual offsetting collections (discretionary and mandatory) (-)	(134,982)	(144,011)
Change in uncollected customer payments from federal sources (discretionary and mandatory) (+ or -)	2,027	5,003
Recoveries of Prior year paid obligations (discretionary and mandatory)	10,927	5,987
BUDGET AUTHORITY, NET (DISCRETIONARY AND MANDATORY)	\$ 687,075	\$ 617,222
Outlays, gross (discretionary and mandatory)	\$ 798,348	\$ 735,175
Actual offsetting collections (discretionary and mandatory) (-)	(134,982)	(144,011)
Outlays, net (discretionary and mandatory)	663,366	591,164
Distributed offsetting receipts (-)	(271)	(324)
AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)	\$ 663,095	\$ 590,840

(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 2017 and 2016. 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 6-110, Financial Services, which adopts FASAB standards for financial reporting and internal controls in a manner consistent with a legislative agency, and insofar as practical, conforms to GAAP for federal agencies. The Library maintains its fund balances with the Department of the Treasury and submits information required to incorporate its financial and budgetary data into the overall federal government structure. The Library has not adopted the Federal Financial Management Improvement Act of 1996, the Federal Managers Financial Integrity Act, the Government Performance and Results Act, and the GPRA Modernization Act, as these standards are not applicable to the Library. However, the Library uses these sources as guidance and reference in its operations.

For fiscal 2017 (and 2016) the statements include 4 (4) appropriations; 26 (26) revolving and gift revolving programs; 37 (38) reimbursable programs; 105 (106) TFB programs; and 135 (132) gift programs, respectively.

C. Basis of Accounting

In accordance with LCR 6-110, 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 2017 and 2016 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. Work and funding for Decimal Classification has ceased.
- 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 2017 and 2016, donors provided in-kind donations for the Library's annual book festival and the Gershwin Prize for Popular Song award program. And in 2016, a donor provided software for the talking books program. In 2017, donors provided motion picture film analyzer equipment. 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. Program work and funding for Decimal Classification has largely ceased.

E. Gift and TFB Programs

The Library administered gift and TFB programs with combined net asset value of approximately \$186.5 million and \$177.1 million during fiscal years 2017 and 2016, 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 2017 are:
 - Dodge & Cox Global Stock Fund
 - State Street Russell 3000 NL CTF
 - Robeco Boston Partners Large Value Account
 - DSM Touchstone Large Co. Growth Institutional Fund
 - HS Management Large Growth Account
 - Diamond Hill Mid-Cap Account
 - Frontier Mid-Growth Account
 - Vaughan Nelson Value Opportunities Account
 - American Funds EuroPacific Growth F2 Fund
 - Harbor Diversified International All Cap Institutional Fund
 - Lazard Emerging Markets Equity Institutional Fund
 - Wells Fargo Absolute Return Institutional Fund
 - Westwood Income Opportunity Institutional Fund
 - FPA Crescent Fund
 - PIMCO All Asset Institutional fund
 - Templeton Global Advance Fund
 - State Street Real Asset CTF
 - Dodge & Cox Income Fund
 - Metropolitan West Total Return Bond I Fund
 - Legg Mason BW Global Opps Bond IS Fund
 - First American Government Obligation Z Fund
 - PIMCO Short-Term Institutional Fund
 - Payden Limited Maturity Fund

And utilized during fiscal 2016:

- 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

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 fiscal 2015 through 2017 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. The Library had 91 collections as of September 30, 2017, and 91 collections as of September 30, 2016 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 2017 and 2016.

	September 30, 2016	Added	Removed	September 30, 2017
Library Services	84			84
Law Library	4			4
Shared Custody (LS & LL)	3			3
Total	91			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.

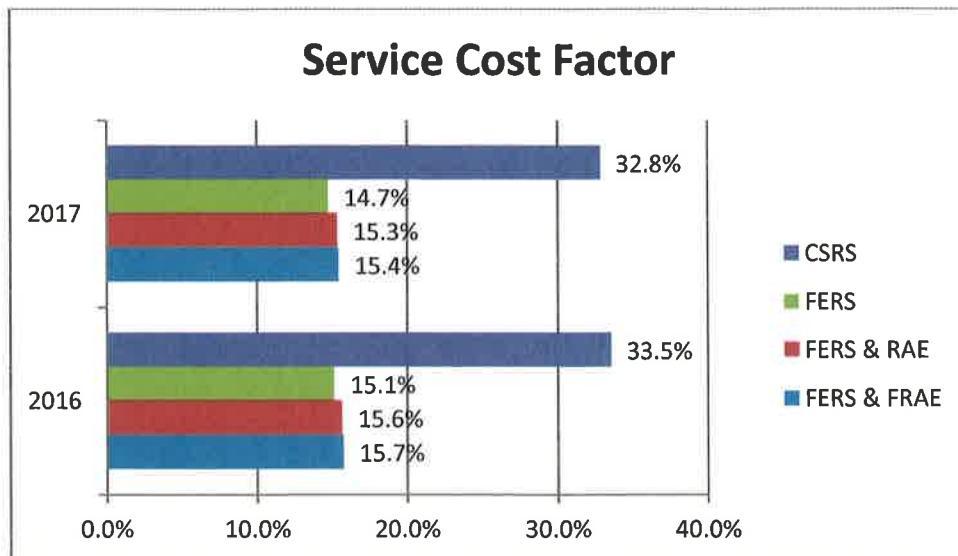
Approximately 10% and 12% of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2017 and 2016, respectively, to which the Library makes contributions equal to 7.0% of pay. Of those participating in CSRS, approximately 14% during both fiscal years 2017 and 2016 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 82% and 85% of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2017 and 2016, respectively, to which the Library's normal contribution was 13.7% during fiscal years 2017 and 2016. Of those participating in FERS during fiscal years 2017 and 2016, approximately 18% and 16%, respectively, were under the revised annuity (FERS-Revised Annuity Employees (RAE) and FERS-Further Revised Annuity Employees (FRAE)) rates effective January 2013, to which the agency contribution rate was 11.9% during fiscal years 2017 and 2016. 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 8% and 3% of the Library's employees were covered only by FICA during fiscal years 2017 and 2016, to which the Library contributes the employer's matching share of 6.2% of earnings up to \$127,200.

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 Elfans (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 2017 and 2016, 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. 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 an agreement with another federal agency clarify and amend an MOU and to obtain a refund of \$463K costs incurred between fiscal 2014 through fiscal 2017. The agreement was signed in October 2017 and the reimbursement occurred and was recorded in fiscal 2018.

NOTE 2**FUND BALANCE WITH TREASURY**

A. Fund Balance with Treasury as of September 30, 2017 and 2016 is summarized as follows:

	(in thousands)	
	FY 2017	FY 2016
Appropriated Programs	\$ 212,431	\$ 187,987
Revolving and Reimbursable Programs	108,406	112,877
Gift and TFB Programs ¹	15,783	15,770
Deposit and Other Programs	1,798	988
TOTAL	\$ 338,418	\$ 317,622

¹ As of September 30, 2017 and 2016, 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)	
	FY 2017	FY 2016
Unobligated Balances – Available	\$ 68,951	\$ 71,415
Unobligated Balances – Unavailable	28,389	21,646
Obligated Balances Not Yet Disbursed	239,260	223,553
Non-budgetary	1,818	1,008
TOTAL	\$ 338,418	\$ 317,622

NOTE 3**INVESTMENTS, NET**

Investments as of September 30, 2017 and 2016, are as follows:

FY 2017	(in thousands)		
	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 30,103	\$	\$ 30,103
Cost		135,703	135,703
Unamortized Premium			
Unrealized Discount	(50)		(50)
Interest Receivable			
INVESTMENTS, NET	\$ 30,053	\$ 135,703	\$ 165,756
MARKET VALUE	\$ 31,058	\$ 140,942	\$ 172,000

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

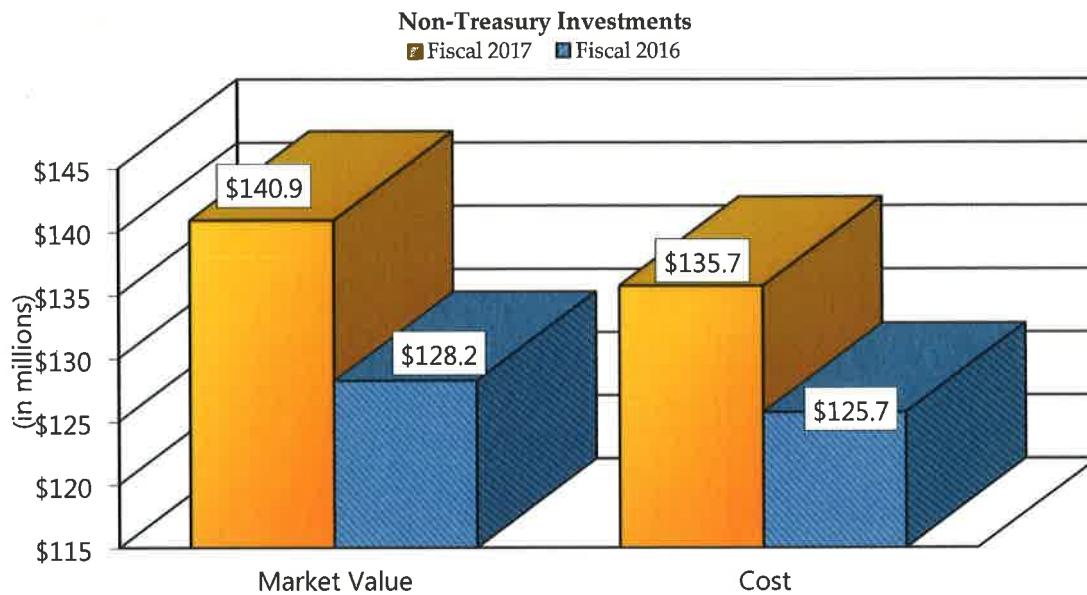
A. Intragovernmental Investments

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. TFB fund investment maturity dates for fiscal years 2017 and 2016 range from December 22, 2016 to November 30, 2017 and December 31, 2015 to December 15, 2016, respectively, and interest rates for the same fiscal years range from 0.275% to 1.075% and 0.005% to 0.305%, 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, 2017 and 2016, are as follows:



NOTE 4 RECEIVABLES

The breakdown of consolidated gross and net accounts receivable as of September 30, 2017 and 2016 are as follows:

A. Accounts Receivable

	(in thousands)	
	FY 2017	FY 2016
Intragovernmental:		
Accounts Receivable, Gross	\$ 3,001	\$ 4,430
Less: Allowance for Doubtful Accounts	-	(17)
 ACCOUNTS RECEIVABLE, NET	\$ 3,001	\$ 4,413
 With the Public:		
Accounts Receivable, Gross	480	210
Less: Allowance for Doubtful Accounts	(5)	(4)
 ACCOUNTS RECEIVABLE, NET	\$ 475	\$ 206

B. Pledges Receivable

As of September 30, 2017 and 2016, the Library had unconditional pledges of contributions totaling \$7.1 million and \$7.2 million, which were discounted through fiscal 2033 at market discount rates and included in the statement of financial position at their discounted value of \$7.3 million and \$8.0 million, respectively.

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

	(in thousands)	
	FY 2017	FY 2016
2017	\$ 0	\$ 1,251
2018	1,454	1,178
2019	1500	985
2020	266	177
2021	139	170
2022 and thereafter	3,953	4,275
TOTAL	\$ 7,312	\$ 8,036

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment that were capitalized as of September 30, 2017 and 2016, are as follows:

Classes of Property and Equipment	FY 2017			FY 2016		
	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value
Operating Equipment	\$ 100,619	\$ 87,537	\$ 13,082	\$ 98,453	\$ 82,104	\$ 16,349
Software	78,800	66,995	11,805	77,961	63,552	14,409
Furniture & Furnishings	2,288	1,402	886	2,218	1,307	911
Leasehold Improvements	45,745	34,048	11,697	44,402	31,373	13,029
Leasehold Improvements-In Progress	13,110		13,110	4,859	0	4,859
TOTAL	\$ 240,562	\$ 189,982	\$ 50,580	\$ 227,893	\$ 178,336	\$ 49,557

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

	(in thousands)	FY 2017	FY 2016
Intragovernmental Non-Entity Assets	\$ 0	\$ 0	\$ 0
Accounts Receivable-With the Public	\$ 3	\$ 2	\$ 2
Total Non-Entity Assets	\$ 3	\$ 2	\$ 2
Total Entity Assets	\$ 579,416	\$ 551,488	\$ 551,488
TOTAL ASSETS	\$ 579,419	\$ 551,490	\$ 551,490

NOTE 7	LEASES
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A. Capital Leases

The Library did not have assets under capitalized leases as of September 30, 2017 and 2016.

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 2017 and 2016 amounted to \$11.8 million and \$10.3 million, respectively.

Under existing commitments as of September 30, 2017, estimated future minimum lease payments through fiscal year 2022 are as follows:

	(in thousands)	
	FY 2017	FY 2016
2017	\$ 0	\$ 6,600
2018	6,533	6,551
2019	6,543	6,561
2020	6,466	6,493
2021	6,484	5,855
2022 and thereafter	32,655	33,110
TOTAL ESTIMATED FUTURE LEASE PAYMENTS	\$ 58,681	\$ 65,170

Lease costs for 2016 have been restated.

NOTE 8**WORKERS' COMPENSATION**

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

The Library is using estimates provided by DOL to report the FECA liability. The Library accrued \$1.5 million and \$1.6 million of unbilled or unpaid workers' compensation costs as of September 30, 2017, and 2016, 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 \$7.2 million and \$7.8 million as of September 30, 2017 and 2016, respectively, and is based on a ten-year projection. This liability is recorded on the Balance Sheet as a liability with the public.

NOTE 9**CONTINGENT LIABILITIES**

Several claims against the Library relating to employment matters are pending at the administrative level or in court. The estimated loss for the claims that are probable is \$45,000. Therefore, an accounting entry for the estimate was posted. Management believes the possible loss for all other claims is remote or immaterial with respect to the Library's financial statements. Under law, any claims finally adjudicated or settled at the administrative level would be paid from the Library's funds and any claims litigated in court would be settled by the Treasury's Claims, Judgments and Relief Act Fund.

NOTE 10**OTHER LIABILITIES**

Other Liabilities as of September 30, 2017 and 2016, are comprised of the following:

	(in thousands)	
	FY 2017	FY 2016
Other Liabilities-Intragovernmental:		
Liability to Treasury General Fund	\$ 2	\$ 2
Total Intragovernmental	2	2
Contingent Liabilities (Note 9)	45	0
Liability for Clearing account	1,151	0
Deferred Credits	23	6
Advances From the Public	4,404	4,708
Total With the Public	5,623	4,714
TOTAL	\$ 5,625	\$ 4,716

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

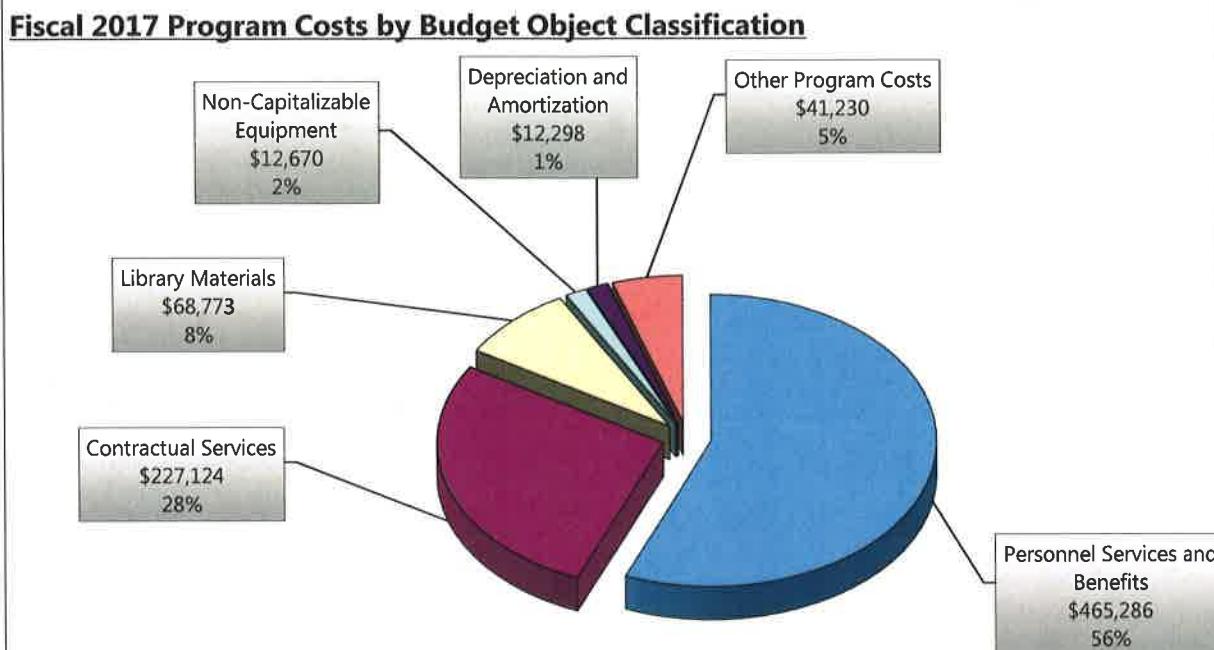
	(in thousands)	
	FY 2017	FY 2016
Liabilities Covered by Budgetary Resources	\$ 105,656	\$ 117,878
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental	1,498	1,599
With the Public	32,843	33,249
TOTAL	\$ 139,997	\$ 152,726

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.

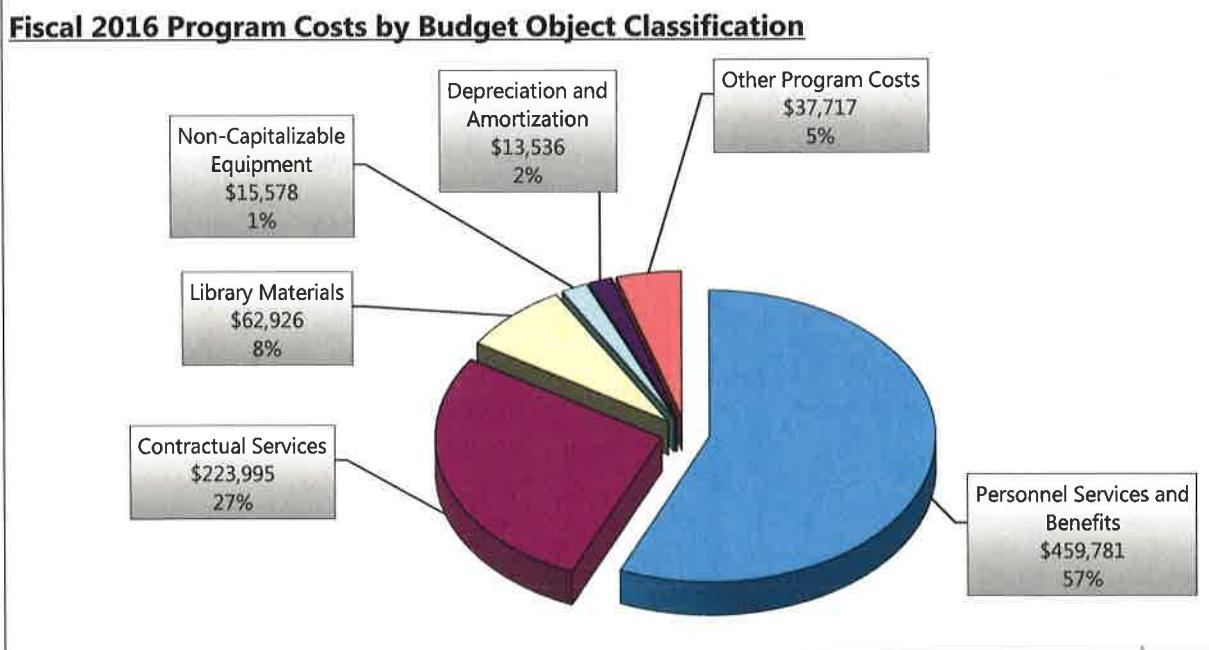
Liabilities not covered by budgetary resources include accrued unfunded annual and compensatory leave, accrued unfunded workers compensation, and other unfunded liabilities.

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

(in thousands)



(in thousands)



The Library's collections are classified as Heritage Assets. \$30.9 million and \$27.2 million of the amount designated as Library Materials above represents the fiscal years 2017 and 2016 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)	
	FY 2017	FY 2016
Commerce and Housing Credit	\$ 63,537	\$ 63,836
Education, Training, Employment, and Social Services	647,421	632,027
General Government	116,423	117,670
TOTAL	\$ 827,381	\$ 813,533

B. Earned Revenue by Functional Classification

	(in thousands)	
	FY 2017	FY 2016
Commerce and Housing Credit	\$ 41,146	\$ 41,729
Education, Training, Employment, and Social Services	76,693	74,203
General Government	188	223
TOTAL	\$ 118,027	\$ 116,155

NOTE 14**EXCHANGE REVENUES**

In accordance with LCR 6-110, 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)	
		FY 2017	FY 2016
Audio-Visual Duplication Services:	Program Cost	\$ 133	\$ 147
	Less: Earned Revenue	(104)	(128)
	Net Program Cost	29	19
Cooperative Acquisitions Program:	Program Cost	2,904	2,481
	Less: Earned Revenue	(2,885)	(2,824)
	Net Program Cost	19	(343)
Decimal Classification:	Program Cost	0	0
	Less: Earned Revenue	0	7
	Net Program Cost	0	7
Document Reproduction and Microfilm Services:	Program Cost	676	906
	Less: Earned Revenue	(433)	(495)
	Net Program Cost	243	411
Gift Shop Operations:	Program Cost	2,010	1,786
	Less: Earned Revenue	(2,288)	(2,100)
	Net Program Cost	(278)	(314)
Federal Research:	Program Cost	2,032	3,302
	Less: Earned Revenue	(2,233)	(2,655)
	Net Program Cost	(201)	647
FEDLINK:	Program Cost	63,725	59,847
	Less: Earned Revenue	(62,137)	(58,812)
	Net Program Cost	1,588	1,035
Special Events:	Program Cost	3,763	4,024
	Less: Earned Revenue	(1,260)	(1,381)
	Net Program Cost	2,503	2,643
	Total Program Cost	75,243	72,493
	Less: Total Earned Revenue	(71,340)	(68,388)
	TOTAL PROGRAM COSTS	\$ 3,903	\$ 4,105

These programs are discussed further in Note 1.D.

NOTE 16**CLASSIFICATION OF PROGRAM COSTS**

(in thousands)

FY 2017	Intragovernmental		Public		Total
	Production	Non-Production	Production	Non-Production	
Library Services	\$ 122,785	\$ 35	\$ 242,025	\$ 261	\$ 365,106
National and International Outreach Program	23,221	23	169,099	0	192,343
Law Library	8,724	3	25,392	0	34,119
Copyright Office	21,023	11	62,389	0	83,423
Congressional Research Service	32,946	23	119,421	0	152,390
TOTAL	\$ 208,699	\$ 95	\$ 618,326	\$ 261	\$ 827,381

(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
TOTAL	\$ 206,540	\$ 184	\$ 606,663	\$ 146	\$ 813,533

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 \$2.6 million and \$2.9 million for fiscal years 2017 and 2016, 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 \$37 million and \$36.5 million for fiscal years 2017 and 2016, 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 \$48.8 million and \$13.1 million for fiscal years 2017 and 2016, respectively;
- Copyright Licensing Expenses revenues of \$2 million and \$3.7 million for fiscal years 2017 and 2016, 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, 2017, is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

FY 2017 (Combined)	(in thousands)				
	Offsetting Collections Programs	Public Revolving Programs	Gift and TFB Programs	Copyright Licensing Expenses	Total Dedicated Collections
Balance Sheet:					
Fund Balance with Treasury	\$ 39,179	\$ 11,135	\$ 13,487	\$ 0	\$ 63,801
Investments in U.S. Treasury Securities	0	0	22,245	0	22,245
Other Assets	1,126	565	151,049	349	153,089
TOTAL ASSETS	\$ 40,305	\$ 11,700	\$ 186,781	\$ 349	\$ 239,135
 Liabilities					
Cumulative Results of Operations	\$ 6,246	\$ 5,156	\$ 461	\$ 349	\$ 12,212
	34,059	6,544	186,320	0	226,923
TOTAL LIABILITIES AND NET POSITION	\$ 40,305	\$ 11,700	\$ 186,781	\$ 349	\$ 239,135
 Statement of Net Cost:					
Program Costs	\$ 35,458	\$ 9,996	\$ 14,362	\$ 2,046	\$ 61,862
Less: Earned Revenue	(39,678)	(10,016)	(134)	(2,046)	(51,874)
NET COST OF OPERATIONS	\$ (4,220)	\$ (20)	\$ 14,228	\$ 0	\$ 9,988
 Statement of Changes in Net Position:					
Net Position, Beginning	\$ 28,105	\$ 6,315	\$ 175,293	\$ 0	\$ 209,713
Net Cost	4,220	20	(14,228)	0	(9,988)
Non-Exchange Revenues and Donation Receipts	0	0	6,241	0	6,241
Other Financing Sources	1,734	209	19,014	0	20,957
Change in Net Position	5,954	229	11,027	0	17,210
NET POSITION, ENDING	\$ 34,059	\$ 6,544	\$ 186,320	\$ 0	\$ 226,923

Fiscal data as of and for the year ended September 30, 2016, is summarized below.

FY 2016 (Combined)	(in thousands)				
	Offsetting Collections Programs	Public Revolving Programs	Gift and TFB Programs	Copyright Licensing Expenses	Total Dedicated Collections
Balance Sheet:					
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
TOTAL ASSETS	\$ 32,937	\$ 11,669	\$ 175,995	\$ 0	\$ 220,601
 Liabilities					
Cumulative Results of Operations	\$ 4,832	\$ 5,354	\$ 702	\$ 0	\$ 10,888
	28,105	6,315	175,293	0	209,713
TOTAL LIABILITIES AND NET POSITION	\$ 32,937	\$ 11,669	\$ 175,995	\$ 0	\$ 220,601
 Statement of Net Cost:					
Program Costs	\$ 33,261	\$ 9,832	\$ 13,346	\$ 3,711	\$ 60,150
Less: Earned Revenue	(39,420)	(9,856)	(85)	(3,711)	(53,072)
NET COST OF OPERATIONS	\$ (6,159)	\$ (24)	\$ 13,261	\$ 0	\$ 7,078
 Statement of Changes in Net Position:					
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
Change in Net Position	7,916	434	8,416	0	16,766
NET POSITION, ENDING	\$ 28,105	\$ 6,315	\$ 175,293	\$ 0	\$ 209,713

NOTE 18**BUDGETARY RESOURCES**

Budgetary resources are classified as follows:

	(in thousands)					
	FY 2017			FY 2016		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
Budgetary Resources:						
Unobligated balance brought forward, October 1	\$ 22,309	\$ 85,001	\$ 107,310	\$ 19,554	\$ 74,263	\$ 93,817
Recoveries of unpaid prior year obligations	19,070	6,323	25,393	5,494	9,173	14,667
Other changes in unobligated balance (+ or -)	(3,158)	9,059	5,901	(6,823)	5,330	(1,493)
Unobligated balance from prior year budget authority, net	38,221	100,383	138,604	18,225	88,766	106,991
Appropriations (discretionary and mandatory)	631,958	55,117	687,075	599,912	17,310	617,222
Spending authority from offsetting collections (discretionary and mandatory)	(367)	122,395	122,028	145	132,876	133,021
TOTAL BUDGETARY RESOURCES	\$ 669,812	\$ 277,895	\$ 947,707	\$ 618,282	\$ 238,952	\$ 857,234

Status of Budgetary Resources:						
New Obligations and upward adjustments	\$ 641,457	\$ 196,545	\$ 838,002	\$ 595,973	\$ 153,951	\$ 749,924
Unobligated balance, end of year:						
Exempt from apportionment, unexpired accounts	10,656	80,604	91,260	11,129	84,549	95,678
Expired unobligated balance, end of year	17,699	746	18,445	11,180	452	11,632
Total unobligated balance, end of year	28,355	81,350	109,705	22,309	85,001	107,310
TOTAL BUDGETARY RESOURCES	\$ 669,812	\$ 277,895	\$ 947,707	\$ 618,282	\$ 238,952	\$ 857,234

	(in thousands)					
	FY 2017			FY 2016		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
Change in Obligated Balance:						
Unpaid obligations:						
Unpaid obligations, brought forward, October 1 (gross)	\$ 166,079	\$ 61,904	\$ 227,983	\$ 165,448	\$ 62,453	\$ 227,901
New Obligations and upward adjustments	641,457	196,545	838,002	595,973	153,951	749,924
Outlays (gross) (-)	(604,343)	(194,005)	(798,348)	(589,848)	(145,327)	(735,175)
Recoveries of prior year unpaid obligations (-)	(19,070)	(6,323)	(25,393)	(5,494)	(9,173)	(14,667)
UNPAID OBLIGATIONS, END OF YEAR (GROSS)	184,123	58,121	242,244	166,079	61,904	227,983
Uncollected Payments:						
Uncollected customer payments from federal sources, brought forward, October 1 (-)	(367)	(4,430)	(4,797)	(223)	(9,577)	(9,800)
Change in uncollected customer payments from federal sources (+ or -)	367	1,660	2,027	(144)	5,147	5,003
UNCOLLECTED CUSTOMER PAYMENTS FROM FEDERAL SOURCES, END OF YEAR (-)	0	(2,770)	(2,770)	(367)	(4,430)	(4,797)
OBLIGATED BALANCE, START OF YEAR (NET)	165,712	57,474	223,186	165,225	52,876	218,101
OBLIGATED BALANCE, END OF YEAR (NET)	\$ 184,123	\$ 55,351	\$ 239,474	\$ 165,712	\$ 57,474	\$ 223,186

Budget Authority and Outlays, Net:						
Budget authority, gross (discretionary and mandatory)	\$ 631,591	\$ 177,512	\$ 809,103	\$ 600,057	\$ 150,186	\$ 750,243
Actual offsetting collections (discretionary and mandatory) (-)	(1,867)	(133,115)	(134,982)	(658)	(143,353)	(144,011)
Change in uncollected customer payments from federal sources (discretionary and mandatory) (+ or -)	367	1,660	2,027	(144)	5,147	5,003

(in thousands)

	FY 2017			FY 2016		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
Recoveries of prior year paid obligations (discretionary and mandatory)	1,867	9,060	10,927	657	5,330	5,987
Budget authority, net (discretionary and mandatory):	\$ 631,958	\$ 55,117	\$ 687,075	\$ 599,912	\$ 17,310	\$ 617,222
Outlays, gross (discretionary and mandatory)	\$ 604,343	\$ 194,005	\$ 798,348	\$ 589,848	\$ 145,327	\$ 735,175
Actual offsetting collections (discretionary and mandatory) (-)	(1,867)	(133,115)	(134,982)	(658)	(143,353)	(144,011)
Outlays, net (discretionary and mandatory)	602,476	60,890	663,366	589,190	1,974	591,164
Distributed offsetting receipts (-)	0	(271)	(271)	0	(324)	(324)
AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)	\$ 602,476	\$ 60,619	\$ 663,095	\$ 589,190	\$ 1,650	\$ 590,840

A. For TFB programs, approximately \$9.9 million and \$10.0 million of unobligated authority for fiscal years 2017 and 2016, 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 \$87.1 million and \$58.6 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2017 and 2016, respectively.

B. Obligated undelivered orders, end of period:

	(in thousands)	
	FY 2017	FY 2016
Paid	\$ 5,470	\$ 10,258
Unpaid	189,416	167,105
TOTAL UNDELIVERED ORDERS, END OF PERIOD	\$ 194,886	\$ 177,363

C. Obligations incurred – Amounts Exempt from Apportionment:

	(in thousands)	
	FY 2017	FY 2016
Direct – Appropriated	\$ 641,457	\$ 595,973
Direct – Non Appropriated	63,251	20,073
subtotal Direct obligations incurred	704,708	616,046
Reimbursable – Non Appropriated	133,294	133,878
TOTAL OBLIGATIONS INCURRED	\$ 838,002	\$ 749,924

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

(in thousands)

	FY 2017	FY 2016
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 838,002	\$ 749,924
Less: Spending Authority from Offsetting Collections and Recoveries	(158,348)	(153,675)
Obligations, Net of Offsetting Collections and Recoveries	679,654	596,249
Less: Distributed Offsetting Receipts	(271)	(324)
Net Obligations	679,383	595,925
Other Resources:		
Donations of Property and Services	983	1,078
Imputed Financing from Costs Absorbed by Others	98,092	99,687
Exchange Revenue not in the Budget	(457)	51
TFB/Gift/Special Programs Exchange Revenue Receipts	(4,009)	(4,389)
Other Resources (+/-)	4,099	7,332
TOTAL RESOURCES USED TO FINANCE ACTIVITIES	\$ 778,091	\$ 699,684
RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided (+/-)	\$ (23,576)	\$ 9,784
Resources that Fund Expenses Recognized in Prior Period	(709)	(309)
Resources that Finance the Acquisition of Assets	(52,127)	(15,996)
Budgetary Offsetting Receipts that do not Affect Net Cost of Operations	271	324
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(996)	(4,934)
TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS	(77,137)	(11,131)
TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS	\$ 700,954	\$ 688,553
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability and Actuarial Liability	\$ 157	\$ 146
Other (+/-)	15	0
Total Components Requiring or Generating Resources in Future Periods	172	146
Components not Requiring or Generating Resources:		
Depreciation and Amortization	12,298	13,537
Revaluation of Assets or Liabilities	(4,057)	(4,628)
Other Costs not Requiring or Generating Budgetary Resources (+/-)	(13)	(230)
TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES	8,228	8,679
TOTAL COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD	8,400	8,825
NET COST OF OPERATIONS	\$ 709,354	\$ 697,378

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 2017 and 2016 range from October 12, 2017 to August 31, 2018 and October 20, 2016 to August 31, 2017, respectively and interest rates for fiscal years 2017 and 2016 range from 0.00% percent to .75% percent and from 0.50% percent to 1.88% percent respectively.

Fiduciary Activity consists of the following:

	(in thousands)	
	FY 2017	FY 2016
Beginning Fiduciary Net Assets	\$ 1,103,819	\$ 1,074,304
Licensing Fees	217,375	239,673
Investment Earnings	7,660	2,888
Total Net Inflows to Fiduciary Net Assets	225,035	242,561
Payments to Copyright Owners	(148,642)	(208,802)
Refunds of Licensing Fees	(407)	(533)
Retained by Copyright Licensing for Administrative Costs	(2,046)	(3,711)
Total Outflows from Fiduciary Net Assets	(151,095)	(213,046)
Subtotal Net Fiduciary Activity	73,940	29,515
ENDING FIDUCIARY NET ASSETS	\$ 1,177,759	\$ 1,103,819

Net Fiduciary Assets consist of the following:

	(in thousands)	
	FY 2017	FY 2016
Fiduciary Assets		
Fiduciary Fund Balance with Treasury	\$ 2,727	\$ 2,952
Investments in U.S. Treasury Securities	1,175,083	1,100,801
Accrued interest from U.S. Treasury Securities	68	70
Other Assets	349	0
Less: Accounts Payable	(468)	(4)
TOTAL FIDUCIARY NET ASSETS	\$ 1,177,759	\$ 1,103,819

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

(in thousands)			
	FY 2017	FY 2016	
Miscellaneous Cash Collections:			
Unclaimed Money, Collections of Receivables from Cancelled Accounts and General Fund Proprietary Receipts, Not Otherwise Classified:	\$ 180	\$ 4,030	
Total Net Custodial Collections	180	4,030	
Transferred to the General Fund of the Treasury	(180)	(4,030)	
Total Net Custodial Outflows	(180)	(4,030)	
NET CUSTODIAL ACTIVITY	\$ 0	\$ 0	

THE LIBRARY OF CONGRESS

Management Report

Fiscal Year Ended September 30, 2017

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, 2017, the collection was determined to be in a useable condition for fulfilling the Library's service mission. During fiscal 2017, only a very small number of items were removed from the collection because of severe damage or deterioration, and a small percentage of materials were kept under usage restrictions to limit the risk of further damage or deterioration. 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 materials, including:

- Establishment of appropriate environmental storage conditions
- Use of binding or other methods to house items
- Reformatting of collection items to other media
- Conservation treatments to ameliorate damage or deterioration
- Mass deacidification of print materials
- Use of surrogates in serving the collection to the public
- Scientific analysis of materials to understand and mitigate inherent risks

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 treatment, 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.



Office of the Inspector General

MEMORANDUM

DATE June 18, 2018

TO Dr. Carla Hayden
Librarian of Congress

FROM Kurt W. Hyde *KWH*
Inspector General

SUBJECT Results of the Library of Congress' *FY 2017 Financial Statements Audit*

The attached reports present the results of the annual audit of the Library of Congress' (Library) financial statements for fiscal years (FY) 2017 and 2016.

We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) for the FY 2017 audit. The contract required that Kearney perform the audit in accordance with *Government Auditing Standards*; the Office of Management and Budget Bulletin 17-03, *Audit Requirements for Federal Financial Statements*; and the GAO/PCIE *Financial Audit Manual*.

Results of Independent Audit

Financial Statements

For the twenty-second 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. Further details are in the *Independent Auditor's Report*.

Report on Internal Controls

Kearney's consideration of internal controls over financial reporting (including the safeguarding of assets) resulted in a material weakness and the identification of three significant deficiencies.¹

Kearney noted a material weakness over the internal controls regarding the Library's complex financial reporting processes resulting in improper reporting of investment gains and losses and other errors. Kearney also noted significant deficiencies regarding the internal controls for 1) untimely de-obligation of funds, 2) lack of support and untimely recording of new obligations, and 3) lack of validation for the

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Library's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

accounts payable accrual. Details for these findings are in the *Independent Auditor's Report on Internal Control over Financial Reporting*.

Compliance with Laws and Regulations

Kearney found one instance of noncompliance with laws and regulations regarding the lack of support for bulk obligations. Details for this finding are in the *Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements*.

Office of the Inspector General Oversight of Kearney

In connection with the contract, we reviewed Kearney's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with *General Auditing Standards*, was not intended to enable us to express, and we do not express, opinions on the Library's financial statements, conclusions about the effectiveness of internal controls, or conclusions on compliance with laws and regulations. Kearney is responsible for the attached auditor's report dated April 16, 2018, and the conclusions expressed in the report.² However, our review disclosed no instances where Kearney did not comply, in all material respects, with U.S. generally accepted government auditing standards.

cc: Principal Deputy Librarian
Chief Operating Officer
Chief Financial Officer
General Counsel

Attachments

² In accordance with U.S. generally accepted government auditing standards, Kearney's report is dated as of the last day of their fieldwork. Kearney's final report was delivered to the Office of the Inspector General on April 27, 2018.

INDEPENDENT AUDITOR'S REPORT

Inspector General
Library of Congress

Librarian
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 sheets as of September 30, 2017 and 2016, the related consolidated statements of net cost and changes in net position, the combined statements of budgetary resources (hereinafter referred to as the “financial statements”) for the years then ended, and 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 audits. We conducted our audits 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. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audits 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, 2017 and 2016, and its net cost of operations, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 OMB and 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 audits 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Management Report is presented for the 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 audits 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. 17-03, we have also issued reports, dated April 16, 2018, 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, 2017. 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. 17-03 and should be considered in assessing the results of our audits.



Alexandria, Virginia
April 16, 2018

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

Inspector General
Library of Congress

Librarian
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, 2017, and we have issued our report thereon dated April 16, 2018. 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. 17-03, *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. 17-03. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

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. We consider the first deficiency described in the accompanying Schedule of Findings to be a material weakness.

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. We consider the last three deficiencies described in the accompanying Schedule of Findings 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.

Status of Prior-Year Findings

In the Independent Auditor's Report on Internal Control over Financial Reporting included in the audit report on the Library's fiscal year (FY) 2016 financial statements,¹ we noted four issues related to internal controls over financial reporting. The FY 2016 internal control findings and their statuses are summarized in ***Exhibit 1*** below.

Exhibit 1: Status of Prior-Year Findings

Control Deficiency	FY 2016 Status	FY 2017 Status
Untimely De-Obligation of Funds	Significant Deficiency	Significant Deficiency
Internal Use Software Development Cost Capitalization Need Improvement	Significant Deficiency	Closed
Improper Recording of Investment Gains and Losses	Significant Deficiency	Material Weakness
Lack of Validation for the Accounts Payable Accrual	Significant Deficiency	Significant Deficiency

The Library's Response to Findings

The Library does not have a response to the findings identified in Kearney's audit at this time, but it will respond to the findings identified in our audit in 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 do 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. 17-03 in considering the entity's internal control.

¹ Library of Congress Financial Statements, FY 2016



Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney & Company".

Alexandria, Virginia
April 16, 2018

Schedule of Findings

Material Weakness

I. Complex Financial Reporting Process Resulting in Improper Reporting of Investment Gains and Losses and other Errors (*Repeat Condition*)

As a Legislative agency of the Federal Government, the Library of Congress (the Library) is not required to comply with the requirements of the Chief Financial Officers (CFO) Act of 1990. However, for purposes of financial management and reporting, the Library has issued Library of Congress Regulation (LCR) 6-110, Financial Management, which states:

“The Office of the Chief Financial Officer (OCFO) will establish and maintain procedures to ensure that all of the Library’s financial activities are conducted in a manner consistent with a legislative branch agency, are in accordance with applicable laws and regulations, follow generally accepted accounting and internal control principles, and are managed with integrity and reliability.”

To this end, the Library has adopted FASAB standards for financial reporting in a manner consistent with a Legislative agency and, wherever practical, the Library conforms to Generally Accepted Accounting Principles (GAAP) for Federal agencies.

In order to comply with FASAB standards, the Library needs to have policies and procedures in place to help meet this objective. For example, 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 have policies and procedures in place to ensure that it records investment activity in compliance with GAAP and Department of the Treasury (Treasury) regulations.

During our fiscal year (FY) 2017 audit of the Library, Kearney & Company, P.C. (Kearney) noted that there were significant delays in the financial statement close process and in preparing the financial statements. As compared to prior years, the Library took an additional two months to complete the FY 2017 year-end financial statement close activities, and the Library provided Kearney with draft financial statements one month later than in the prior year. In addition to the delays, Kearney also noted errors made in financial reporting and related supporting schedules not identified during Library management’s review.

Most notably, Kearney noted that the Library incorrectly reduced the Unrealized Gains account by \$28.7 million and incorrectly increased the Gains on Disposition of Investments account by \$28.7 million when it adjusted the investment accounts. Kearney brought this to the Library’s attention and noted that the Library was attempting to correct a prior period error, but it had incorrectly posted the adjustment to the current-year gain or loss accounts. At Kearney’s recommendation, the Library corrected the Statement of Net Cost to remove the impact of the \$28.7 million error incorrectly posted to the Unrealized Gains and the Gains on Disposition of Investments accounts.

Based on discussions with management and review of the Library's financial reporting process, Kearney noted that management and supervisors within the OCFO spend the majority of their time processing transactions as part of their normal duties. Additionally, management noted that the transactions processed in the Library's financial reporting system (i.e., Momentum) are often complex and not easily understood. Because of the time spent processing these complex transactions, managers and supervisors in the OCFO have little time to perform high-level reviews and analysis over information reported in the financial management system. For example, Kearney noted that while Library personnel completed reconciliations during FY 2017 to verify investments account balances, the reconciliations did not cover realized and unrealized gain and loss accounts; therefore, errors in these accounts went unnoticed by management.

Without adequate reviews of detailed transactions or adequate time to perform high-level review and analysis of financial reporting results, the Library is at risk that uncorrected errors in financial reporting or gaps in internal controls may go unnoticed by management. This may result in increased audit findings and potential errors on the financial statements.

Kearney recommends that the Library:

1. Perform an analysis of current financial reporting processes to identify any complex processes that could be simplified or eliminated, to include an analysis on how transactions are reported in the financial reporting system. If the OCFO does not have the bandwidth to perform such an analysis, it should consider hiring an outside consultant with expertise and knowledge of best practices in Federal financial reporting processes.
2. Once financial reporting processes are reviewed and simplified, where possible, document all steps needed to report financial transactions in desk guides or procedures documents.
3. Perform an assessment of who should be performing the processes, such that procedures are assigned to the lowest level feasible, to allow for a detail review below the management level, where possible.
4. Develop and establish high-level analytical procedures at the supervisor and manager level to facilitate the identification and correction of errors in financial reporting processes.

Specifically related to the errors found in the investment gain and loss accounts, Kearney recommends that the Library:

5. Establish and document procedures to record corrections, including prior-period corrections, in accordance with United States Standard General Ledger (USSGL) guidance. The Library should use these procedures to ensure that corrections posted to the financial management system are properly reflected on the Balance Sheet, Statement of Changes in Net Position, and Statement of Budgetary Resources, as well as that current period results are not impacted by prior-period adjustments.
6. Establish and document procedures to perform a quarterly reconciliation of non-Treasury investments, to include reconciling all investment, realized and unrealized gain and loss accounts. As part of the quarterly reconciliation, 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, as well as to ensure that current period realized and unrealized gains and losses are properly reported on the financial statements.

* * * *

Significant Deficiencies

II. Untimely De-Obligation of Funds (*Repeat 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 its financial systems represents required Federal outlays. The 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, de-obligated, or the appropriation funding the obligations is closed.

As part of our obligations testing, Kearney reviewed \$5.3 million of the \$12.2 million obligations using a stratified risk-based population to identify older obligations. During our testing, we identified 11 ULOs with a cumulative balance of approximately \$1.5 million for which the agency did not anticipate future outlays of funds. For the 11 exceptions, two of which were repeat exceptions from the FY 2016 audit, Kearney agreed the recorded ULO amount to the current contract amount; however, the respective service units acknowledged that the funds were no longer needed and the Office of Contracts confirmed that the contract was, or should be, in the contract close-out process. Based on our testing results, we noted that the Library is in the practice of waiting for Contracting Officers (CO) to complete the contract close-out process prior to de-obligate any remaining funds on the contract, which continues to result in obligations remaining open for periods of one to four years without any activity.

Additionally, Kearney noted 13 ULOs with a cumulative balance of \$3.3 million for which the Library could not provide support, indicating that there would be future spending on the obligations. Based on the lack of evidence for anticipated future spending and the fact that there had been no activity on these obligations in at least a year, Kearney concluded that these ULOs should also be de-obligated.

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. One alternative that the OCFO should explore is the possibility of using a ULO aging report in Momentum to identify all ULOs with no activity in the previous six months, filtered by obligation origination date. Working with the Office of Contracts, this report could be used as the basis for a periodic review of obligations. The COs or 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. Continue to train personnel, service units, the Office of Contracts, and the OCFO on the ULO review process, specifically 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, the COs are issuing contract modifications and de-obligating funds timely.

III. Lack of Support and Untimely Recording of New Obligations (Repeat Condition)

As noted previously, ULOs represent binding agreements for goods and services that have not yet been delivered or received and will require future outlays. Accordingly, the Library should record an obligation in its financial management system when it enters into an agreement, such as a contract or purchase order, to purchase goods and services. The Library should maintain policies, procedures, and information systems to ensure that obligations represent required Federal outlays, comply with laws and regulations, and are appropriately approved.

During our testing of new obligations created in FY 2017, Kearney identified two obligations for which the Library did not have a formal signed agreement, such as a contract or purchase order. The obligations were created by acquisitions officers in Acquisitions and Bibliographic Access (ABA) in the acquisitions module of the Voyager ILS, a subsidiary system of the Library's Momentum financial management system. These two obligations represented bulk amounts, which ABA spends against throughout the year as management reviews and approves purchase orders.

Recording obligations prior to entering into a legally binding agreement between the Government and vendors overstates the Library's obligations, which may result in improper payments, inaccurate budgetary reports, and possible violations of Federal regulations.

Additionally, during our testing of new obligations created in FY 2017, Kearney noted five instances in which the Library did not record approved purchase orders in the financial management system for two weeks to four months following the approval. Four of the five instances related to FedLink purchases and one of the five instances related to a special event held by the Library. Kearney noted that the obligation was recorded in FedLink's financial system in a timely manner for three of the four FedLink exceptions; however, the obligation was not recorded in Momentum for more than two weeks after the obligations were approved.

While Kearney was able to verify the amount recorded for these obligations, the gap in time between the purchase order approval and the recording of the obligation in the financial management system left the Library with spans of time where it was inaccurately reporting obligations and the status of funds.

Kearney recommends that the Library:

1. Update the process for ABA purchases to ensure that obligations are not recorded in Momentum prior to the Library entering into a legally binding agreement to make a purchase. If the Library has a need to reserve funds prior to entering into a legally binding agreement, it should consider recording a commitment for these amounts.
2. Formally document the updated process for ABA purchases in Library policies and procedures, as appropriate, to ensure all Library employees understand and are recording commitments and obligations in accordance with the Library's policies and procedures.
3. Strengthen and better integrate the obligation process for FedLink transactions to ensure there are no delays between the approval of a purchase order and the recording of obligations, as well as ensure all obligations are supported by an approved purchase order. This could be accomplished by implementing a periodic reconciliation between purchase orders that were approved in the FedLink system and obligations recorded in the financial management system.
4. Ensure that all Library personnel with the responsibility for recording obligations in Momentum understand the importance of recording obligations timely. This could be accomplished through training and enforced through periodic reviews of obligations to ensure obligations are recorded promptly after approval.

IV. Lack of Validation for the Accounts Payable Accrual (*Repeat 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 condition identified in FY 2016 had not changed and that the Library did not validate the new AP accrual methodology for FedLink expenses to ensure that the estimated AP accrual was accurate in FY 2017. Management had begun to review the process around FedLink expenses in an effort to identify a method to perform the AP accrual validation, but it had not implemented any changes by the end of FY 2017. The Library's failure to perform a validation of its AP accruals estimates for FedLink increased the risk of reporting erroneous information on the financial statements.

Kearney recommends that the Library:

1. Modify the FedLink processes and/or system to capture the date that customers receive goods or services.
2. Implement a process to regularly validate the AP accrual methodology for FedLink by comparing the estimate to actual data. Kearney recommends that the OCFO 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
Library of Congress

Librarian
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, 2017, and we have issued our report thereon dated April 16, 2018. 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. 17-03, *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, non-compliance 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 an instance of non-compliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 17-03, which is described in the accompanying Schedule of Findings and Responses.

The Library does not have a response to the finding identified in Kearney's audit at this time, but it will respond to the finding identified in our audit in a later date. The Library's response was not subjected to the auditing procedures applied in our audit of the consolidated financial statements; accordingly, we do 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 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. 17-03 in considering the entity's compliance.



Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Kearney & Company".

Alexandria, Virginia

April 16, 2018

Schedule of Findings

Non-Compliance and Other Matters

I. Lack of Support for Bulk Obligations (New Condition)

Obligations are definite commitments that create a legally binding agreement between the Government and vendors. Per 31 United State Code (U.S.C.), Section 1501(a) (the “recording statute”):

“An amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of (1) a binding agreement between an agency and another person (including an agency) that is (A) in writing, in a way and form, and for a purpose authorized by law; and (B) executed before the end of the period of availability for obligation of the appropriation or fund used for specific goods to be delivered, real property to be bought or leased, or work or service to be provided.”

Accordingly, the Library of Congress (the Library) should record an obligation in its financial management system when it enters into an agreement, such as a contract or purchase order, to purchase goods and services. The Library should maintain policies, procedures, and information systems to ensure that obligations represent required Federal outlays, comply with laws and regulations, and are appropriately approved.

During our testing, Kearney & Company, P.C. (Kearney) identified two obligations created in fiscal year (FY) 2017 for which the Library did not have a formal signed agreement, such as a contract or purchase order. The obligations were created by acquisitions officers in Acquisitions and Bibliographic Access (ABA) in the acquisitions module of the Voyager ILS, a subsidiary system of the Library’s Momentum financial management system. These two obligations represented bulk amounts, which ABA spends against throughout the year as management reviews and approves purchase orders.

Recording obligations prior to entering into a legally binding agreement between the Government and vendors overstates the Library’s obligations, which may result in improper payments, inaccurate budgetary reports, and possible violations of Federal law.

Kearney recommends that the Library:

1. Update the process for ABA purchases to ensure that obligations are not recorded in Momentum prior to the Library entering into a legally binding agreement to make a purchase. If the Library has a need to reserve funds prior to entering into a legally binding agreement, it should consider recording a commitment for these amounts.
2. Formally document the updated process for ABA purchases in Library policies and procedures, as appropriate, to ensure all Library employees understand and are recording commitments and obligations in accordance with the Library’s policies and procedures.