



FINANCIAL STATEMENTS  
FISCAL YEAR 2018

April 2019

Flanagan, John F., Sculptor, photographer by Highsmith, Carol M. *Main Reading Room. The Rotunda Clock by John Flanagan. Library of Congress Thomas Jefferson Building, Washington, D.C.* Photograph. Retrieved from the Library of Congress, <[www.loc.gov/item/2007684421/](http://www.loc.gov/item/2007684421/)>.



## THE LIBRARIAN OF CONGRESS

September 23, 2019

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

Mr. President and Madam Speaker:

It is my pleasure to submit to you the Library's fiscal 2018 financial statements and accompanying opinion of the independent auditors, Kearney & Company. For the twenty-third 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 \$746.7 million including \$89.3 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 \$116.5 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 2018 financial statements and auditors' opinion.

Sincerely,

Carla Hayden  
Librarian of Congress

# THE LIBRARY OF CONGRESS

## Financial Statements for Fiscal 2018

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# THE LIBRARY OF CONGRESS

## Management's Discussion and Analysis

Fiscal Year Ended September 30, 2018

### 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 2018.

### 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 19<sup>th</sup> century, the American Republic was still little more than a bold experiment. Barely a decade removed from the establishment of constitutional democracy, our lasting future as a nation was not yet assured and our national character was only beginning to emerge.

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

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

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

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

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

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

Since the mid-1970s, the Congress has statutorily created 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 20<sup>th</sup> century, the Thomas Jefferson Building is resplendent with iconography and written inscriptions that describe the nation's past and inspire those using the Library's collections.

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

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

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

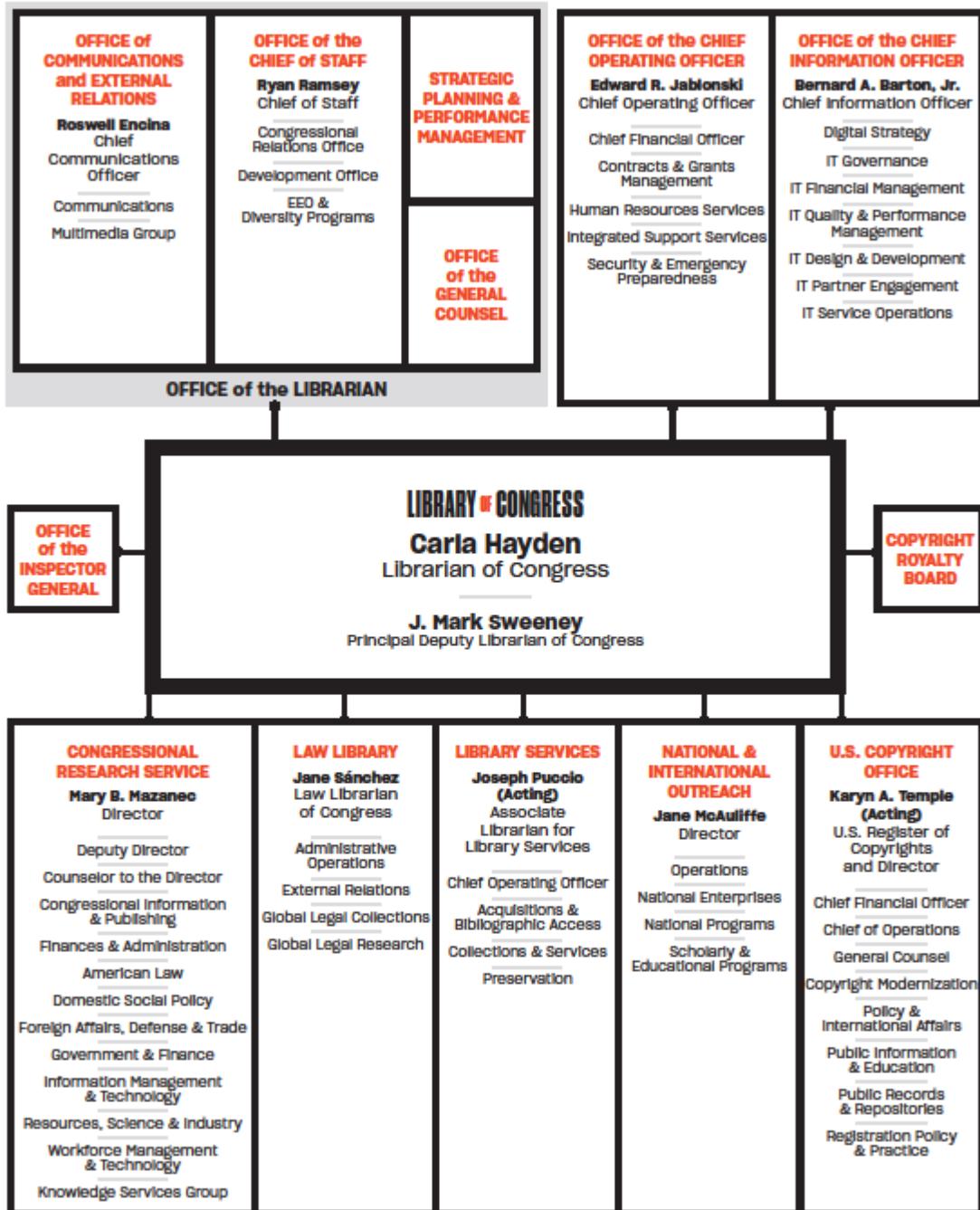
Those words hearken back to the Library's early days and Thomas Jefferson's vision of a society wherein the widest variety of information was readily available to the greatest possible number of people. "I feel ... an ardent desire," Jefferson said, "to see knowledge so disseminated through the mass of mankind that it may, at length, reach even the extremes of society; beggars and kings."

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

Past, present and future, the Library of Congress endeavors to remain the preeminent repository of information on a global scale, an inspiration to future generations, and a celebrant of achievement. The Library ensures that its information is universally accessible through its premier websites—[www.loc.gov](http://www.loc.gov), [www.congress.gov](http://www.congress.gov), and [www.copyright.gov](http://www.copyright.gov).

The Librarian of Congress, appointed by the President with the advice and consent of the Senate, directs the Library. Five service units execute the Library's mission (see organizational chart on page 5).

The Library's programs and services are primarily funded by four salaries and expenses appropriations, receipts from offsetting collections (copyright registrations, Cataloging Distribution Service fees), revolving fund (business-like) income, donations, and investment income.



LIBRARY OF CONGRESS

As of September 30, 2018

## Overview of Financial Statements

For fiscal years 2018 and 2017, 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, 2018 and 2017. 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.

Assets	(in millions)	
	FY 2018	FY 2017
Entity Assets	\$ 604.4	\$ 579.4
<b>Total Assets</b>	<b>\$ 604.4</b>	<b>\$ 579.4</b>
<b>Liabilities and Net Position</b>		
Liabilities Covered by Budgetary Resources	\$ 109.7	\$ 105.7
Liabilities Not Covered by Budgetary Resources	\$ 32.9	\$ 34.3
<b>Total Liabilities</b>	<b>\$ 142.6</b>	<b>\$ 140</b>
Net Position	\$ 461.8	\$ 439.4
<b>Total Liabilities and Net Position</b>	<b>\$ 604.4</b>	<b>\$ 579.4</b>

The Library's assets total \$604.4 million for fiscal year 2018 and \$579.4 million for fiscal year 2017. Entity assets increased by \$25 million during fiscal year 2018. The primary increase in assets is from the increase in appropriated funds and an increase in unobligated balances which increased the Fund Balance with Treasury. The Library's liabilities total \$142.6 million and \$140 million for fiscal years 2018 and 2017, respectively. The primary increase in liabilities is from an increase in non-fed unpaid vendor payments associated with program 010016 which is the CIO PCF Hosting Facility and a decrease in accrued unfunded annual and compensatory leave.

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, 2018 and 2017. In other words, the statements present the net costs of our programs: \$746.7 million and \$709.4 million for the fiscal years 2018 and 2017, respectively. Net costs increased by \$37.3 million during fiscal year 2018. 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 \$384.5 million and \$361.2 million for fiscal years 2018 and 2017, 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. In fiscal year 2018, the Library Services responded to over 360,000 information requests a year from across the nation. During the year, more than 958,365 physical items, including ones from the Law Library, were circulated on-site to Library patrons using research centers open to the public in Washington, D.C. In addition, the Library received 20,264 free

interlibrary loan requests from across the nation and fulfilled 8,478 requests for book loans from the Congress. The Library issued nearly 70,820 new 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 \$117 million and \$120 million for Fiscal Years 2018 and 2017, 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<sup>1</sup> 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, 29 sub-regional libraries, 15 advisory and outreach centers, and 3 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 972,526<sup>2</sup>.

**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

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<sup>1</sup> Includes additional large print materials made available to patrons by network libraries and the circulation of *Talking Book Topics* and *Braille Book Review*.

<sup>2</sup> See footnote #1.

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 \$27.3 and \$33.9 million for fiscal years 2018 and 2017, 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 \$59.7 million and \$42.2 million for fiscal years 2018 and 2017, 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 2018, the Copyright Office registered 560,013 copyright claims; transferred to or facilitated online access of 717,599 works to the Library; recorded an estimated 21,668 documents affecting tens of thousands of titles; and responded to nearly 198,000 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.

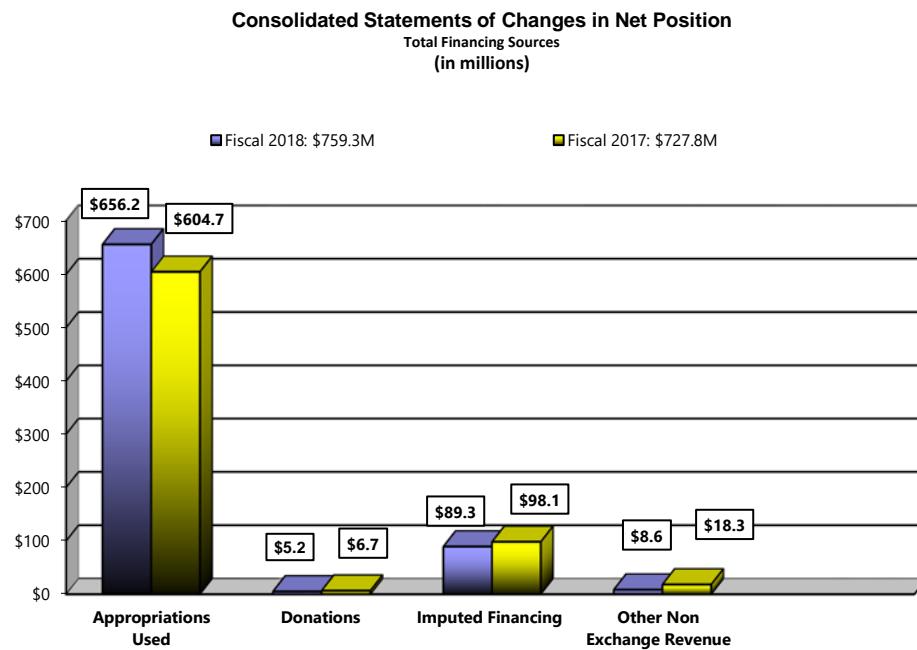
The Copyright Royalty Board (CRB), composed of three Copyright Royalty Judges appointed by the Librarian of Congress, directed distribution of millions of dollars in royalties that are collected under various compulsory license provisions of the copyright law, and adjusted the royalty rates of these 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 \$158.2 million and \$152.1 million for fiscal years 2018 and 2017, 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 \$759.3 million and \$727.8 for fiscal years ended September 30, 2018 and 2017, 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, 2018 and 2017 totaled \$656.2 million and \$604.7 million or 86.4% and 83.1% of all financing for fiscal years 2018 and 2017, 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 \$89.3 million and \$98.1 million (imputed financing) for fiscal years 2018 and 2017, respectively. The support provided included structural care and maintenance of the Library's buildings and grounds (\$54.5 million and \$69.7 million), employee benefits (\$32.1 million and \$25.5 million), acquisitions exchange services (\$ 1.1 million and \$1.1 million), collections security services (\$1.6 million and \$1.6 million), and legal services (\$0.006

million and \$0.2 million). Other non-exchange revenues are positive for fiscal years 2018 and 2017, primarily due to the unrealized 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 net Outlays of the Library.

The Library's budgetary resources were \$970.5 million and \$947.7 million for the fiscal years ended September 30, 2018 and 2017, respectively, of which \$686.0 million and \$687.1 million were from appropriated funds and \$284.5 million and \$260.6 million were from non-appropriated funds for fiscal years ended September 30, 2018 and 2017, respectively. Total outlays of \$664.9 million and \$663.1 million were incurred with the outlays of appropriated funds (\$646.5 million and \$602.5 million) combined with outlays of the non-appropriated funds (\$18.5 million and \$60.6 million) in fiscal years 2018 and 2017.

### **Performance Targets and Accomplishments**

This section of the *2018 Financial Statements* presents the Library's 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 2018, the Library of Congress established 43 annual performance goals with 73 associated performance targets. Of those 73 performance targets, ninety percent were met in fiscal 2018 and three percent of performance targets were partially 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:** Enhance the emergent "minimum viable product" for CONAN (The Constitution of the United States of America: Analysis and Interpretation) that was initially prototyped during fiscal 2017 from both a content and technical perspective, including an agreed upon Library-wide Concept of Operations and a targeted date for an initial congressional/public release, in order to modernize and expand access to the document.

**Performance Target 1:** A substantial batch of revised CONAN content that replaces approximately 440 pages of the current version of CONAN is ready for publication by end of fiscal 2018.

**Performance Target 2:** For a new CONAN website, the technical solution, resource requirements, and implementation plans are completed and the development of the minimum viable product has begun by September 30, 2018.

**Accomplishment:** The performance goal to enhance CONAN was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** A substantive batch of revised CONAN content was created and made ready for publishing as a minimum viable CONAN product, replacing approximately 900 pages of the current version of CONAN. Library Executive Management is supportive of the development of a new Constitution-focused web product targeted for Constitution Day, September 2019.

**Performance Target 2:** The technical solution, resource requirements, and implementation plans for a new CONAN website were completed and the development of the minimum viable product began by September 30, 2018.

**Annual Performance Goal:** Plan a seminar for newly-elected Members of Congress to inform and support them in their new legislative roles as well as increase their awareness of how the Congressional Research Service (CRS) and the Library serve Congress.

**Performance Target 1:** CRS will secure \$395,000 in grant funds by September 30, 2018 to cover the cost of the New Member Seminar.

**Performance Target 2:** CRS will submit recommendations to the Committee on House Administration on policy issues to be addressed at the New Member Seminar and speakers for all approved sessions by September 30, 2018.

**Accomplishment:** The performance goal to plan a seminar for newly-elected Members of Congress and support them in their new legislative roles was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** CRS successfully secured \$395,000 in grant funds to cover the cost of the New Member Seminar.

**Performance Target 2:** As a result of meeting planning deadlines, CRS is prepared to host the 116th Congress New Member Seminar in cooperation with the Committee on House Administration. In fiscal 2019, newly-elected Members of Congress will receive high quality instruction on legislative and budget process, as well as key issues they will likely face during their first six months as lawmakers, through carefully selected sessions and presenters.

**Annual Performance Goal:** Improve services for Congress and other federal clients by providing the highest quality research products which correspond with legislative agenda and major policy issues.

**Performance Target 1:** By September 30, 2018, at least thirty percent of responses provided to Congressional and Government users correspond with issues identified as Congressional and administration's legislative agenda.

**Performance Target 2:** Customer satisfaction surveys are periodically conducted and feedback from Law Library Government and Congressional users received by September 30, 2018, reflects excellent quality of research products and demonstrates total customer satisfaction with services provided.

**Accomplishment:** In fiscal 2018, the Law Library provided Congress with 331 research reports and memorandums relevant to the legislative agenda and major policy issues, and as a result the performance goal was met successfully. The following highlights progress made for each performance target:

**Performance Target 1:** In total, 713 research products were requested by federal agencies and Congress, and 521 (greater than seventy percent) supported Congress' and the Administration's national legislative agenda. Research products were customized with visualization tools to best meet requesters' needs, and new standards for maps and graphics were introduced and implemented.

**Performance Target 2:** An overall satisfaction rating of ninety-seven percent was received from Congressional and federal users. Feedback from Congressional offices demonstrated overall customer satisfaction with content, format, timeliness, and delivery. Law Library reports were used in drafting a Congressional resolution, and cited at a hearing by the Committee's ranking member.

**Annual Performance Goal:** Increase reliance of Congress and other legal communities on Law Library services, products, and programs.

**Performance Target:** By September 30, 2018 the Law Library will have completed outreach to 20 new potential customers.

**Accomplishment:** In fiscal 2018, the Law Library successfully promoted its research and reference services to executive, judicial, and legislative branch agencies, resulting in increased inquiries from these organizations. Direct outreach to the Administrative Offices of the United States Courts resulted in the visit of 20 computer-assisted legal research coordinators from federal courts around the country to the Law Library for training, and in an opportunity for the Law Librarian of Congress to give a keynote address at an annual federal court librarian's conference.

**Annual Performance Goal:** Improve the Law Library's integrated workflow and content management to enable the Law Library to provide better and more targeted services to Congress, federal executive-branch agencies, federal courts, and the public.

**Performance Target 1:** By September 30, 2018, Law Library and the Office of the Chief Information Officer (OCIO) have collaboratively evaluated and selected a long term automated shared solution (a Commercial off the shelf or "COTS" product) for integrated workflow and content management.

**Performance Target 2:** By September 30, 2018, OCIO has implemented an interim solution to automate Law Library workflows including a fully searchable document repository for internally generated content.

**Accomplishment:** The performance goal to improve the Law Library's integrated workflow and content management was not met in fiscal 2018. The following highlights activity for each performance target:

**Performance Target 1:** The Law Library's statement of work for an automated workflow and content management system was included in the RFP for the CRS Integrated Research and Information System (IRIS) IDIQ contract. Due to funding constraints, the Law Library did not execute a procurement on this IDIQ contract.

**Performance Target 2:** The Law Library worked with the OCIO to test and evaluate existing Library IT platforms that, with configuration, could meet the Law Library's requirements. In fiscal 2019 the Law Library and the OCIO will develop and pilot a cost-effective, minimally viable platform.

**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 in varied formats for current and future users.

**Performance Target:** Identify openly available, endangered digital content and propose a collecting program.

**Accomplishment:** The performance goal to create, maintain, and implement collections development standards, policies and practices to improve the Library's collections was met by Library Services in fiscal 2018. A working group was formed to propose a collecting program for openly available but endangered digital content. This working group performed a pilot and produced a report at the end of the fiscal year called the "Openly Available, Endangered Content Working Group Report." This report includes multiple recommendations for establishing an open access collecting program. Furthermore, this was a foundational step in allowing the Library to capture such content on a continuing basis, preserve it and make it available for future generations to use.

**Annual Performance Goal:** Employ active acquisition methods to improve and judiciously expand the national collection in formats sought by users.

**Performance Target:** 1,700,000 items acquired outside of Copyright deposit transfer.

**Accomplishment:** The performance goal to employ active acquisition methods to improve and expand the national collection was met in fiscal 2018. The 1,107,529 or more tangible items, 250,000 or more digital images, and 208 gigabytes of born-digital textual content that were acquired by active methods improved and expanded the national collection in desired formats for current and future users, including print, manuscript, cartographic, graphic image, music, and other special collection formats, both tangible and online. The enormous acquisitions of digital images and digital text provided collections in online formats, which are increasingly preferred by many users.

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

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

**Accomplishment:** In fiscal 2018 the Library added at least 294,066 Copyright deposit transfers in desired formats to its permanent collections, exceeding its target of 215,000 items in fiscal 2018. Desired formats included printed books and serials, electronic serials, printed music, cartographic and audio-visual materials. For the first time, e-serials exceeded print serials added through Copyright deposit transfer, reflecting publishing industry trends and end user preferences. Items added via Copyright deposit transfers included the most up-to-date materials in the U.S. national imprint, greatly improving and updating the Library's collections by the most cost-effective means.

**Annual Performance Goal:** Strengthen digital lifecycle management in order to support the demand for digitized and born digital collections management.

**Performance Target 1:** Building on the Digital Collection Management Business Requirements Framework, develop a compendium of best practices and guidelines for the lifecycle management of digital collections.

**Performance Target 2:** In close coordination with the U.S. Copyright Office (USCO), Library Services will provide to OCIO required business outcomes and test data for target content to be received by USCO and transferred to Library Services, and provide funding to USCO to modify the eCopyright system (eCO) to receive target content (eBooks and Newspaper ePrints).

**Performance Target 3:** OCIO will enhance current ingest and access functionality for eBooks and Newspaper ePrints in accordance with Library Services and Copyright required business outcomes.

**Performance Target 4:** The USCO will support the strengthening of the LOC's digital lifecycle management initiative by overseeing an update to the Siebel system and implementing Major Release-13 (MR-13) by the conclusion of fiscal year 2018.

**Accomplishment:** The performance goal strengthen digital lifecycle management in order to support the demand for digital collections was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** A first version of a compendium of best practices and guidelines was produced by Library Services, and a process was initiated to develop and collate guidance, incorporating input from stakeholders across the Library.

**Performance Target 2:** Library Services provided OCIO with required business outcomes and test data for target content to be received by USCO and transferred to Library Services, and also provided funding to the USCO to modify the eCO system.

**Performance Target 3:** The third performance target focused on enhancing the current ingest and functionality for both eBooks and Newspaper ePrints. OCIO was successful in developing the ingest workflow which currently supports business outcomes for ePrints and eBooks received through mandatory Copyright deposit.

**Performance Target 4:** The fourth performance target involved the USCO oversight of an update to the

Siebel system. With the successful deployment of Major Release 13 (MR-13) of the Siebel system, USCO implemented a mechanism to collect both eBooks and Newspaper ePrints, in collaboration with OCIO and Library Services.

**Annual Performance Goal:** Increase the number of Library of Congress collection items transferred to off-site storage in order to improve access and extend their useful life.

**Performance Target:** Transfer 52,000 collection containers to Ft. Meade Module 5.

**Accomplishment:** In fiscal 2018 Library Services successfully transferred 61,702 containers transferred to Ft. Meade Module 5 in fiscal 2018, ensuring the good stewardship and inventory management of the collections and meeting the performance goal and target.

**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 9,000,000 preservation actions to extend the life and usefulness of primarily physical collection materials.

**Accomplishment:** Preservation Directorate staff completed over 10,100,000 preservation actions to extend the life and usefulness of the Library's collections, exceeding the fiscal 2018 annual target of 9,000,000 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. Taken together, these preservation actions ensure the Library's collections are available for the benefit of users now and in the future.

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

**Performance Target:** The Digital Resources Division will produce 5,000 digital files of law collection materials by September 30, 2018 to provide online access to collections in widely used formats.

**Accomplishment:** The performance goal was achieved by the Law Library in fiscal 2018 with the digitization of 23,522 files of the National Transportation Safety Board case files. Through this digitization effort, users have gained greater access to information and case files regarding civil transportation accident investigations that were previously only available to on-site users, and otherwise digitally inaccessible.

**Annual Performance Goal:** Broaden the digitization of collections, including such challenging materials as rare and brittle books, to better meet the demand for online access.

**Performance Target:** Produce 3,500,000 master files for digitized items to provide online access to collections in preferred formats.

**Accomplishment:** 4,373,928 master files were produced by Library Services for digitized items to provide online access to collections, exceeding the fiscal 2018 annual target of 3,500,000 master files.

**Annual Performance Goal:** Improve access to the law collection by bringing existing insufficiently classified volumes up to modern classification standards (K Class) for the benefit of congressional users, Supreme Court and broader research communities.

**Performance Target:** Decrease the backlog of approximately 325,000 law volumes still classified in an obsolete system by 6.2 percent in fiscal 2018 by classing the volumes into the modern K class scheme.

**Accomplishment:** The Law Library completed the classification of 27,457 volumes into the modern K class scheme, exceeding the performance goal and reducing the remaining backlog by 8.5 percent for fiscal 2018. Re-classification to the modern standard improves discoverability and access for our users, and this effort will continue into fiscal 2019.

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

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

**Accomplishment:** The performance goal to produce bibliographic access tools was met in fiscal 2018. Access was provided to more than 305,955 general collection items and more than 1,500,000 manuscript and other special collection items, greatly increasing users' access to the Library's vast resources of human knowledge and creativity. Access was provided by Library Services through the most cost-effective and appropriate methods including original, copy, and archival cataloging.

**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:** Update 6,650,000 authority records from the Library of Congress Integrated Library System (ILS) in order to improve access to the collections.

**Accomplishment:** The performance goal to improve access to linked open data was not met in fiscal 2018. No authority records were updated during the year because the stakeholders were unable to reach a consensus for handling International Standard Name Identifiers (ISNIs) or developing a distribution mechanism that meets the requirements of all the partners. The Integrated Library System Program Office will meet with the British Library in fiscal 2019, to explore the options for ISNIs and consult the Program for Cooperative Cataloging Operations Committee on whether this project should proceed or await a policy decision on URIs in authority data. Library Services will continue to seek ways to support linked open data, but will not carry this performance goal forward into fiscal 2019.

**Annual Performance Goal:** Advance a new bibliographic framework and next generation library services platform to enrich the Library's future bibliographic data, collection management, and discovery.

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

**Accomplishment:** The performance goal to advance a new bibliographic framework was met in fiscal 2018. More than 65 Library of Congress cataloging staff participated in the BIBFRAME Pilot Phase Two, creating BIBFRAME metadata in a simulated cataloging environment against a database converted from

the entire Library of Congress MARC bibliographic database. The Acquisitions and Bibliographic Access Directorate analyzed BIBFRAME Pilot Phase Two outcomes and fine-tuned the BIBFRAME 2.0 model as a result. The Library shared its analysis of the BIBFRAME Phase Two Pilot with the library community through professional conferences and webinars, participation in the Linked Data for Libraries project led by Stanford University, and publications in professional journals. The results of the pilot greatly improved BIBFRAME input tools and achieved a more realistic simulation of a cataloging environment, thus advancing a new bibliographic framework to enrich the Library's future bibliographic data, collection management, and discovery.

**Annual Performance Goal:** Increase use of Library collections, on site and off site, by providing timely delivery of relevant articles, books, and other information resources.

**Performance Target:** Make a growing number of items available by circulating items internally, externally, through interlibrary loans, and by downloaded items from subscription databases (eResources) in order to meet researcher needs.

**Accomplishment:** The performance goal to increase the use of Library collections by providing timely delivery of relevant articles, books, and other information resources was partially met in fiscal 2018. While nearly 1,600,000 items were circulated internally, externally, through interlibrary loans, and by downloaded items from subscription databases in order to meet research needs, the year-end total was below our fourth quarter milestone of 1,750,000 items circulated or downloaded. External factors beyond our control continue to drive researcher requests, which impact the demand for the Library's collections. Additionally, efforts to facilitate data collection across a myriad of research centers have not been accomplished, but will remain a priority in fiscal 2019.

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

**Performance Target:** To improve safeguards in targeted high-security areas, four assessments will be conducted and recommendations will be completed in accordance with an implementation plan with specific completion target dates.

**Accomplishment:** The performance goal to assess and make recommendations to improve collections security was met in fiscal 2018. Throughout the year OSEP completed six assessments and four implementations related to collections security. Three of the six assessments were in support of construction or renovation projects requiring temporary measures. The temporary measures either provided electronic counter measures for an entire area ("swing space") or a wall to separate construction activity and personnel from collection storage or processing areas. The three areas modified were:

- (1) LM B05 G&M Stacks (construction barrier for compact shelving installation);
- (2) LM 140 Manuscripts preparation section (swing space); and
- (3) LM 123 Manuscripts preparation section (construction barrier).

The other three assessments were for area reconfiguration projects. These were:

- (1) LM B29 - Serial and Government Publications Division collections storage;
- (2) Inside LM G28 room for collections moving to and from Ft. Meade by CALM; and
- (3) inside LM 110 for accessioning Music Division collections.

Two of the implementations were the temporary measures for the G&M compact shelving project and the LM 140 swing space described above. The other two were for a secure storage facility inside LM 131

protecting Manuscripts collections and the Whittall Pavilion. OSEP changed the Whittall Pavilion to high security keying. The installation of the electronic and physical security controls protect areas containing valuable and sometimes irreplaceable artifacts. These accomplishments reduce the risk of theft or mutilation of the Library's high value collections, consequently maintaining the trust that donors and the Congress have for the Library to safeguard them.

**Annual Performance Goal:** Increase the processing of items in special format collections to improve access and mitigate security risks.

**Performance Target:** Process (organize and describe) a growing number of items in the unprocessed arrearages in order to make more collections routinely available.

**Accomplishment:** The performance goal to increase the processing of items in special format collections was met in fiscal 2018. 2,296,627 items were processed and deducted from the arrearage, which exceeded the fourth quarter milestone of processing 1,750,000 items by the end of the year. Exceptional productivity by staff in the Manuscript Division Preparation Section, as well as new staff added recently to that section, was responsible for the bulk of this unanticipated progress in making more collections available to researchers. Other divisions involved in arrearage reduction are contributing and gearing up for new staff through the New and Expanded Program Request (NEPR) for arrearage reduction.

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

**Performance Target:** Increase the number of item records in the Integrated Library System (ILS) in order to make more collection materials findable and trackable through custodial location information and through call slip and circulation functions.

**Accomplishment:** The performance goal to improve inventory control of the general and special collections was met in fiscal 2018. The number of items findable and trackable through the Integrated Library System (ILS) increased by 766,980 records in fiscal 2018. The end of year milestone of 650,000 item records created was exceeded by 116,980 items (or eighteen percent).

**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:** Digitize and integrate the USCO collection of pre-1978 records into the public online catalog in order to make more Pre-1978 records widely accessible.

**Performance Target 1:** USCO will convert 30,200,000 card catalog images by September 30, 2018.

**Performance Target 2:** USCO will implement an Online Proof of Concept Virtual Card Catalog (VCC) for public review and comment by March 31, 2018 and gather public comments for incorporation for industry analysis by June 30, 2018.

**Performance Target 3:** OCIO will deliver technical support to implement the online proof of concept Virtual Card Catalog by June 30, 2018.

**Accomplishment:** The performance goal to digitize and integrate the USCO collection of pre-1978 records into the public online catalog was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** Throughout fiscal 2018, Public Records and Repositories worked collaboratively with the Library's manager of Digitization Services and OCIO to support the conversion of 41,458,584 Copyright Card Catalog images from preservation quality TIFF images to web-ready JPG images, exceeding our annual goal. 17,000,000 of these web-ready images were made available to the public through the Virtual Card Catalog in January of 2018. The remainder of the web-ready images will be released in the winter of 2019.

**Performance Target 2:** USCO successfully implemented an online proof of concept VCC by March 31<sup>st</sup>, as well as gathered public comments incorporated into the industry analysis.

**Performance Target 3:** OCIO successfully delivered technical support for the implementation of the online proof of concept VCC.

**Annual Performance Goal:** Increase the value of materials acquired and made accessible to users of the Library of Congress through the effective use of Section 407 regulations.

**Performance Target:** Five percent increase in aggregate value of annual acquisitions over the prior year.

**Accomplishment:** The performance goal to increase the value of materials acquired through the effective use of Section 407 regulations was met in fiscal 2018. Through effective use of Section 407 regulations, the Copyright Acquisitions Division transferred materials to Library collections and secured Library patron access worth \$94,197,106 during fiscal 2018. This represents an increase of one hundred twenty-eight percent over transfer and access value achieved during fiscal 2017.

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

**Annual Performance Goal:** Increase collaborative opportunities with internal and external constituencies to help us serve and engage new audiences.

**Performance Target 1:** Assess the current operations of the Center for the Book and develop a roadmap for its enhanced future.

**Performance Target 2:** Leverage technology and partnerships as part of 'NLS 2.0' to introduce new audio and braille solutions in the National Library Service for the Blind and Physically Handicapped (NLSBPH) that transform services for the blind, visually impaired, and learning disabled.

**Performance Target 3:** Develop and integrate new programming, partnerships, and audiences for film and recording through the National Film and Recording Registries, and the development of a National Screening Room.

**Performance Target 4:** Expand the reach and the impact of the Teaching with Primary Sources (TPS) Regional Program.

**Performance Target 5:** Strengthen outreach to secondary and higher education communities to increase participation in fellowship, internship, residency, and volunteer programs at the Library by September 30, 2018.

**Performance Target 6:** Leverage National Digital Stewardship Residency (NDSR) and Digital Preservation Outreach & Education (DPOE) partnerships to strengthen digital scholarship, librarianship, and the digital humanities community.

**Accomplishment:** The performance goal to increase collaborative opportunities with internal and external constituencies was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** The Center for the Book completed assessment of key programs and current operations and positioned itself to contribute meaningfully to the development of the CLLE implementation plan, underway in the last quarter of fiscal 2018, to be completed early in fiscal 2019.

**Performance Target 2:** NLSBPH solicited a contract in fiscal 2018 for the design and production of braille eReader devices, and will pilot a braille eReader program that will allow patrons to access braille content delivered on cartridges through the USPS program: Free Matter for Persons Who are Blind or Visually Impaired.

**Performance Target 3:** By the end of fiscal 2018, the efforts of the National Film Preservation Board enabled the placement of 280 titles online as part of the National Screening Room.

**Performance Target 4:** Educational Outreach increased collaborative opportunities with internal and external constituencies that helped serve and engage new audiences. The team's efforts focused on expanding the reach and the impact of the Teaching with Primary Sources (TPS) Regional Program. These efforts reinforced how working with regional grantees helps Consortium members deepen their subject matter expertise, reach new geographic areas, and serve wider populations.

**Performance Target 5:** The Internships and Fellowship Programs (IFP) successfully managed the 2018 Junior Fellows Program; coordinated the Harvey Mudd College Upward Bound Program-Georgetown Internship; participated in the ALA Public Library Association's (PLA) Inclusive Internship 2018; strengthened the Library's relationship with HACU; led the development of a procurement package to contract for services to support talent acquisition of minority students from degree-granting programs of study; led a new partnership with UVA; led a new partnership with Howard University; and added and consolidated educationally enriching programs.

**Performance Target 6:** IFP transferred DPOE to the Pratt Institute on June 26, 2018. IFP forged a unique collaboration with the American Folklife Center to develop an internship focused on updating digital preservation workflows, to include a ten-week pilot that supported this effort.

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

**Performance Target:** Federal agencies have achieved \$30,000,000 in cost savings through FEDLINK.

**Accomplishment:** The performance goal to increase cost savings for other federal agencies through FEDLINK was met in fiscal 2018. The FEDLINK program exceeded the cost savings for our customers for a total of \$54,000,000 dollars. This goal is well over the cost savings from fiscal 2017 by \$14,000,000 dollars. The FEDLINK workforce was smaller than prior years, but worked more efficiently and we will continue our efforts to provide cost savings to our federal customers going forward into fiscal 2019.

**Annual Performance Goal:** Promote and develop government-to-government partnerships with federal institutions to showcase Library resources and capabilities to support respective missions.

**Performance Target:** Finalize a new Concept of Operations (ConOps) for the Federal Research Division centered on data-driven decision-making leading to sustainable practices and opportunities.

**Accomplishment:** The performance goal to promote and develop government-to-government partnerships with federal institutions to showcase Library resources and capabilities was met in fiscal 2018. The Federal Research Division (FRD) expanded the utilization of the Federal Research Program (FRP) revolving fund within the Library, and finalized its new ConOps. FRD partnered with the Law Library to produce joint marketing materials, and Law Library clients will be leveraging the FRP revolving fund for engagements moving forward. FRD will continue to examine other areas of LC resources and expertise that can, and should, be utilized by the federal government.

**Annual Performance Goal:** Expand significant use of the Library's collections by offering opportunities for researcher engagement and showcase the results through programs and publications for the benefit of the U. S. Congress, policymakers, or the public.

**Performance Target 1:** Complete two competitions for senior chair positions and make offers for at least 6 chairs by the end of fiscal 2018 to provide opportunity for leading researchers to make significant, sustained use of the Library's collections.

**Performance Target 2:** Complete six fellowship competitions by the end of fiscal 2018 to provide opportunity for new researchers to make significant, sustained use of the Library's collections.

**Performance Target 3:** Present sixteen public programs by the end of fiscal 2018 to showcase the research and educational potential of the Library's collections.

**Performance Target 4:** Champion a digital strategy and enabling technologies that generate new uses, collaborations, and knowledge.

**Performance Target 5:** Complete a process leading to the presentation of a list of finalists for the Kluge Prize to the Librarian's Office by the end of QTR 3 fiscal 2018.

**Accomplishment:** The performance goal to expand the use of the Library's collections by offering opportunities for researcher engagement was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Targets 1:** The Kluge Center expanded the use of the Library's collections through its Chair opportunities, as well as through public events. The Center housed 75 residential scholars, including 15 chairs through the course of the fiscal year. The Center added new chairs in U.S. Russia relations and U.S. China relations, as well as the Kislak Chair.

**Performance Target 2:** The Kluge Center expanded the use of the Library's collections through its Fellowship opportunities, as well as through internships. The Center housed 60 fellows through the course of the fiscal year. In addition, the Center hosted 21 research interns.

**Performance Target 3:** The Center sponsored symposia, podcasts, panels, and other events throughout the year, including two innovative Congress-focused programs for Members and staff. In the congressionally-focused events, the Center reached approximately 50 Members of Congress and over 300 congressional staff. The Center hosted public events featuring Anne Applebaum on disinformation campaigns in Europe, Bill Nye and Amy Mainzer on NASA and asteroids, Jonathan Haidt on the crisis in higher education, Martin Hilbert on big data and democracy, and many others. Drew Gilpin Faust, the Kluge Prize winner, gave a speech on the future of the humanities at a gala event attended by embassy officials, two former and current cabinet members, Members of Congress, Library leaders, and many other educational and policy leaders. The Center augmented the Library's Scholars Council, adding five new members from diverse academic fields to advise Kluge and the Librarian on scholarship and programming.

**Performance Target 4:** The National Digital Initiatives (NDI) team developed a crowdsourcing program that engaged learners of all ages to interact with Library of Congress collections and aid in the transcription process. NDI also hosted events to engage technologists, scholars, artists, and the general public to enable creative uses of the Library of Congress' digital collection.

**Performance Target 5:** The Center successfully completed its process to present a list of finalists for the Kluge Prize to the Librarian's Office.

**Annual Performance Goal:** Document and disseminate information about America's cultural heritage in a variety of media to reach diverse audiences.

**Performance Target 1:** Co-publish at least one new book, solidify at least two new co-publishing arrangements, and complete at least two new manuscripts in fiscal 2018.

**Performance Target 2:** Expand awareness of the services provided by the National Library Services for the Blind and Physically Handicapped (NLSBPH) to ensure maximum impact of the multi-year multi-media advertising campaign and increase outreach and engagement efforts with network libraries, stakeholders, and the general public, including leveraging interest raised by the multi-media campaign.

**Performance Target 3:** Broaden the Library's K-12 outreach efforts by publishing materials and delivering programs that address a wide range of educational disciplines and subject areas.

**Performance Target 4:** Lead the Library-wide effort to develop a comprehensive e-book publishing plan to maximize the discovery and use of owned and public domain e-books, including those digitized from the Library's collections.

**Accomplishment:** The performance goal to document and disseminate information about America's cultural heritage was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** The Publishing Office co-published four new books, one new paperback edition, three calendars, two sets of Knowledge Cards™, and a notecard set. The office also finalized six new co-publishing agreements and completed three new manuscripts.

**Performance Target 2:** The NLSBPH outreach campaign proved very successful in building awareness of NLSBPH programs. A national TV and radio commercial called "Magical Moments" ran on various cable TV channels including CNN, TNT, Turner Classic Movies and TV Land, and syndicated and live broadcast national radio shows such as NPR's "All Things Considered." Since the ad launch in February, NLSBPH has received more than 50,000 calls to its toll-free number, as compared to an average of 4,000 calls annually in the three previous years. Digital advertisements drove more than 37,000 visits per month to the campaign micro-site and more than 26,000 requests for program information during FY18.

**Performance Target 3:** Educational Outreach documented and disseminated information about America's cultural heritage using a variety of media to reach diverse audiences. The team broadened the Library's K-12 outreach efforts by publishing materials and delivering programs that addressed a wide range of educational disciplines and subject areas.

**Performance Targets 4:** The Publishing Office, with the successful completion of the pilot phase of the Library's e-book Publishing Project, established a framework through which the e-book Working Group can evaluate options and costs to inform the potential implementation of a Library-wide e-book strategy.

**Annual Performance Goal:** Engage diverse audiences through inspiring programs and experiences so they recognize the value of the national library and the breadth of the nation's creative achievements.

**Performance Target 1:** Business Enterprises will engage broader audiences with the Library by developing products and services that connect their personal experiences to the Library on and offsite (i.e., library schools, publishers, documentarians, young readers).

**Performance Target 2:** Create a sustainable portfolio of public events with increased audiences, greater program diversity, and partnership affiliations.

**Performance Target 3:** Invigorate the on-site experiences and online initiatives of the Young Readers Center (YRC), to more closely connect them to the larger Library.

**Performance Target 4:** 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 5:** Highlight and promote the LOC's collections/stories/messaging through the planning, development, and production of exhibitions, displays, and designs across different LOC platforms.

**Performance Target 6:** Design and develop the capability for crowdsourced transcription of Library collections.

**Accomplishment:** The performance goal to engage diverse audiences through inspiring programs and experiences was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** Business Enterprises (BE) awarded a contract to assess the current state of the shop operations and the physical space, benchmark the performance against leading cultural commerce arena, and develop a strategy to facilitate the desired improvements. The plan was approved by both Library and Architect of the Capitol (AOC) stakeholders and was integrated into the Library's "Visitor Experience" master plan. BE developed a framework to enable research services support for offsite scholars/projects in Duplication Services. BE decided to maintain its current pricing structure as it relates to research services.

**Performance Target 2:** A sustainable portfolio of public events has increased audience participation due to greater program diversity and partnership affiliations during fiscal 2018. These efforts involved a steady calendar of highly visible and successful programs and events that included the Gershwin Prize, Literacy Awards, and the National Book Festival.

**Performance Target 3:** In fiscal 2018, Educational Outreach sought to invigorate the on-site experiences and online initiatives of the Young Readers Center. By September 30, 2018, guidelines and standard operating procedures for YRC programming were updated to reflect feedback from pilot testing various initiatives, and the team continued to implement additional programming updates throughout the year. Staff hosted online events with various audiences, which were connected to larger Library initiatives, programs, and collections.

**Performance Target 4:** The Visitor Services Office (VSO) reached new audiences throughout the year by offering new and varied programming. VSO provided 25 tours for 425 individuals who were part of family groups. VSO expanded its offerings of foreign language tours in French and Spanish, as well as initiated the Touch History tours for visitors who are visually impaired continue to attract audiences.

**Performance Target 5:** On June 29, 2018 the Interpretive Programs Office (IPO) opened the Baseball Americana exhibit, debuting on-time and within budget. It has been a popular and critical success with a lot of press interest. Visitor feedback has been very positive and attendance has exceeded those for past exhibits. The Commissioner of Major League Baseball and other notables have seen the exhibit and attended programs. Important Library stakeholders have expressed positive feedback on the exhibit as well.

**Performance Target 6:** The National Digital Initiatives (NDI) team - in partnership with OCIO and Library Services - designed the crowdsourcing program to provide collections to the public for transcription and tagging called "Make Your Mark", which included the development and implementation of an outreach strategy to engage users. The crowdsourcing program was successfully launched in September for testing, and NDI staff were on track for a public launch of the program in early fiscal 2019.

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

**Annual Performance Goal:** Establish the Library's ability to assess and identify strategies to close competency gaps to improve performance of the Library's workforce.

**Performance Target:** HRS will identify and/or assess competencies for 2 occupations by September 30, 2018 to identify competency gaps and begin plans to close them.

**Accomplishment:** The performance goal to assess and identify strategies to close competency gaps to improve the performance of the Library's workforce was met in fiscal 2018. The Human Capital Directorate (HCD, formerly HRS or Human Resources Services) completed two competency assessments for two occupations (OCIO and the acquisition workforce) in fiscal 2018, which identified competency gaps to help management prioritize efforts to improve the performance of the Library's workforce. HCD documented the process and then leveraged lessons learned from the first competency assessment for the OCIO workforce, in order to make improvements to the process for the second competency assessment for the acquisition workforce. This improved process will be leveraged for subsequent competency assessments in the Library in fiscal 2019.

**Annual Performance Goal:** Strengthen and improve performance management process and recognition policies to increase accountability Library-wide.

**Performance Target:** HRS will identify and analyze improvement points within the performance management and recognition policies by September 30, 2018 to create and implement an action plan.

**Accomplishment:** The performance goal to strengthen and improve performance management process and recognition policies was met in fiscal 2018. HCD identified and began implementation of improvement points within performance management and recognition policies, to facilitate a results-oriented, high-performance culture through increased accountability. HCD analyzed historical performance ratings and awards to identify anomalies throughout the Library, and collaborated with Library-wide stakeholders to obtain feedback for the action plan that informed these improvements. The improvements were reflected in updates to the Library's awards policies and submitted to the Office of the General Counsel (OGC) for the Library of Congress Regulation (LCR) review process.

**Annual Performance Goal:** Optimize and improve the competency and effectiveness of the Library-wide acquisition workforce.

**Performance Target:** Optimize resources to support the Library's mission through contracts and increase the level of competency and effectiveness of the Library-wide acquisition workforce.

**Accomplishment:** The performance goal to increase the level of competency and effectiveness of the Library-wide acquisition workforce was met in fiscal 2018. The Chief Operating Officer (COO) increased the proficiency and optimized the number of Contracting Officer Representatives (CORs) through performance standards, quality assurance procedures, and an acquisition workforce training program. The COO conducted an acquisition workforce competency gap assessment, led a Library-wide assessment of COR workload and composition, implemented performance standards for CORs and their supervisors, developed and delivered eighteen onsite acquisition workforce training courses covering all stages of the acquisition lifecycle from planning through execution. Optimization of the Library's acquisition workforce will achieve savings through more efficient operations, fewer staff, and focused resources.

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

**Annual Performance Goal:** Reduce duplication of IT services in order to maximize resource use.

**Performance Target:** Complete the centralization of IT staff into OCIO and resolve associated funding decisions by June 30, 2018.

**Accomplishment:** The performance goal to reduce the duplication of information technology services in order to maximize resource use was met in fiscal 2018. By centralizing IT staff into OCIO, the Library addressed one of the critical recommendations from both the Government Accountability Office and the Library's Office of the Inspector General. Centralizing IT staff under one organization moves the Library towards reducing duplication of IT services and helps to maximize the use of the Library's resources.

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

**Performance Target:** Publish a Library-wide digital strategy that addresses the agency's overall mission direction and updated strategic goals.

**Accomplishment:** The performance goal to publish a Library-wide digital strategy was met in fiscal 2018. The Digital Strategy Working Group successfully completed its mission to develop and publish a new Library-wide Digital Strategy. The new strategy is available to the public as a web site and PDF document, and reflects the input of all Library of Congress service units. Responses to the Digital Strategy have been uniformly positive from a myriad of stakeholders. Additionally, we worked closely with the Strategic Planning and Program Management office to ensure synergy with the updated Library Strategic Plan. Our implementation planning process is also aligned closely with the enterprise performance management plan, to ensure collaboration and network effects going forward.

**Annual Performance Goal:** Improve IT security monitoring and assessment in order to safeguard the Library's IT systems and data.

**Performance Target:** Deploy multi-factor authentication to improve the Library's security posture.

**Accomplishment:** The performance goal to improve information technology security monitoring and assessment was met in fiscal 2018. The Library improved its IT security posture during fiscal year 2018 by implementing multi-factor authentication. This security system, which requires users to employ more than one method of authentication to verify his or her identity, is one method by which OCIO can ensure that access to Library accounts remains secure. This is especially important for the security of personally identifiable information and confidential Congressional data.

**Annual Performance Goal:** Expand Congress.gov to be the sole Library legislative information platform serving Congress.

**Performance Target 1:** By the end of fiscal year 2018, over ninety-five percent of the fiscal 2017 identified gap items that need to be incorporated into Congress.gov in order to retire LIS.gov from congressional view will be addressed.

**Performance Target 2:** By the end of fiscal year 2018, CRS will have collaborated with OCIO to complete a sprint every three weeks towards the replacement of the Legislative Information System (LIS) user interface, including the creation of agile stories and acceptance criteria.

**Accomplishment:** The performance goal to expand Congress.gov was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** Releases of Congress.gov in fiscal 2018 incorporated over ninety-five percent of the fiscal 2017 gap items in the LIS retirement backlog. The project team continues to meet regularly with House and Senate staff to refine the remaining backlog and work to develop enhancements that will meet functional user requirements.

**Performance Target 2:** CRS and OCIO successfully collaborated to complete a sprint every three weeks towards the replacement of the Legislative Information System (LIS) user interface.

**Annual Performance Goal:** Improve information technology investments management, financial management, and Technology Business Management (TBM) processes to enable executive priority setting on IT resource use.

**Performance Target:** Lead the TBM maturation effort to establish an IT spend baseline by September 30, 2018.

**Accomplishment:** The performance goal to improve information technology investments management, financial management, and TBM processes was met in fiscal 2018. OCIO worked to improve the information it provides to Library leadership to facilitate executive priority setting of IT resource use. The TBM initiative is intended to allow stakeholders full transparency into the IT spend of an organization. By establishing a spending baseline for fiscal 2019, the Library has a foundation upon which to build the next levels of insight: IT services and business outcomes.

**Annual Performance Goal:** Enhance IT infrastructure environment in order to position USCO's Recordation section for modernization.

**Performance Target 1:** Initiate development of the web-based, modernized recordation system.

**Performance Target 2:** OCIO will ensure that the USCO will have in place an IT infrastructure that will support the electronic Recordation system by September 30, 2018.

**Accomplishment:** The performance goal to enhance the IT infrastructure that supports the modernization of the USCO's Recordation section was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** Development work began on new screens for external users and staff to greatly improve the intake, sorting, assignment, and examination of recordation claims. Multiple internal releases successfully delivered submission functionality for demonstration purposes, in preparation for the external release of a Minimum Viable Product in fiscal 2019.

**Performance Target 2:** Throughout fiscal 2018, the Copyright Modernization Office (CMO) collaborated with OCIO to ensure that USCO needs and expectations were communicated. Although the infrastructure status provided by OCIO appears to be behind schedule for fiscal 2018, CMO continues to be actively engaged with the OCIO Program Manager and Project Management Office.

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

**Annual Performance Goal:** The Library is aligned with and guided by a clear, forward-looking strategic plan.

**Performance Target 1:** The Library's FY2019-2023 Strategic Plan is launched by October, 2018.

**Performance Target 2:** The percentage of Library employees actively participating in the strategic planning process rate the experience as meaningful.

**Accomplishment:** The performance goal to launch a new Library of Congress strategic plan was met in fiscal 2018. The following highlights progress made for each performance target:

**Performance Target 1:** Following more than a year of exploration, research and input from hundreds of staff, users, and experts, the FY2019-2023 Strategic Plan – Enriching the Library Experience – was presented to key committee Congressional members and staff and LOC staff in September, and then launched to the public on October 1, 2018. The new plan reflects our leadership's commitment to establishing a shared strategic vision for the Library's next five years. The new strategic plan highlights a clear and persistent focus on users. The Library's new vision statement – All Americans are connected to the Library of Congress – supports this focus on users and the Library's desire to enrich their experience. Four unified goals relevant to all Library service units are presented in the Library's plan:

1. **Expand Access:** Make our unique collections, experts and services available when, where and how users need them.
2. **Enhance Services:** Create valuable experiences for every user to foster lifelong connections to the Library.
3. **Optimize Resources:** Modernize, strengthen and streamline our operational capabilities.
4. **Measure Impact:** Use data to measure our impact on the world around us and share a powerful story.

With the plan complete, the Library has turned its attention to execution. Each planning unit (service units and centers) will release a Directional Plan that outlines its specific role in the strategy and the detailed initiatives and activities it will undertake to fulfill its own mission and contribute to the agency's Strategic Plan. In the first quarter of fiscal 2019, the Library will launch an Implementation Roadmap to capture the aggregated priority initiatives, timelines, and targeted success for the entire organization.

**Performance Target 2:** Survey results from the Directional Planning Kick-off session showed that 100 percent of respondents rated the session as very valuable/valuable. Survey results from the Directional Planning Lesson 2: Services session showed that 100 percent of respondents rated key aspects of the session and the topics covered as very appropriate. Survey results from the Directional Planning Lesson 3: Capabilities session showed that 100 percent of respondents rated key aspects of the session and the topics covered as very appropriate.

**Annual Performance Goal:** Strengthen the Library's approach to risk management and internal control to anticipate and head off coming challenges impacting the Library's ability to meet its strategic and operational goals.

**Performance Target:** The Library has fully implemented the integrated risk management process by September 30, 2018 as demonstrated by implementation of an approved risk and internal control governance structure; approved metrics for gauging understanding, awareness, and expertise; and full integration with planning, performance management, and resources management activities.

**Accomplishment:** In fiscal 2018, the Library proactively identified and managed strategic and operational risks through an enterprise-wide integrated risk management framework, and successfully met its performance goal to strengthen risk management and internal controls. During this inaugural year of the integrated Risk Management & Internal Control process (iRIC), the Library developed, published, and periodically updated its first enterprise Risk Register, established the risk and internal controls reporting approach for the Library's Executive Committee with publication of quarterly risk status reviews ("Report on Integrated Risk Management and Internal Control Activities"), developed a baseline for compliance with the GAO Green Book and OMB Playbook standards, and developed a confirmation review approach to help mature the Library's risk management and internal control activities over the next several years. Together, these activities successfully established a solid initial enterprise risk management and internal control program and set the foundation for continuous improvement for the future.

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

**Performance Target:** 85 percent of the approved projects are on time and not more than fifteen percent exceed their budgets.

**Accomplishment:** The performance goal to increase the efficiency and effectiveness of facility projects was met in fiscal 2018. Of the 85 Integrated Support Services projects in process during fiscal 2018, 97.3 percent of the active projects were on time and on budget, which is 12.3 percent better than the baseline of 85 percent. However, during the year ten projects were placed on hold or canceled by the service units.

**Annual Performance Goal:** Evaluate performance efficiency and availability of the Legislative Branch Financial Management System (LBFMS) to ensure service level standards are met for the Library and Legislative Branch agencies' financial and administrative operations.

**Performance Target 1:** The Momentum financial system availability meets the up-time levels established in the support contract Service Level Agreements. (At least 99.1 percent uptime: 22.5 hours/day, 5 days/workweek; 19.5 hours/day on Saturday; & 12 hours/day on Sunday, excluding holidays and scheduled downtime).

**Performance Target 2:** The Momentum financial system performance meets the processing performance time of 2.25 average seconds as established in the support contract Service Level Agreements. (Processing performance of 2.25 seconds average per measured LBFMS system activity, to include: • Document Search • Vendor Activity Query • GL Detail Query • Budget Query • Create Form).

**Accomplishment:** The performance goal to evaluate the performance efficiency and availability of LBFMS was met in fiscal 2018. LBFMS supports the Library and seven other Legislative Branch agency operations, and any unanticipated downtime and slow system performance would impact all agencies, including the ability to write contracts and perform the Library's business activities which contribute to the execution of the Library's mission. The service levels will continue to be monitored in fiscal 2019 as

we transition to a new LBFMS support contract. The following highlights progress made for each performance target in fiscal 2018:

**Performance Target 1:** The LBFMS performance availability and efficiency successfully exceeded the target with an average of 99.8 percent uptime availability, which directly supported contract Service Level Agreements (SLAs).

**Performance Target 2:** The LBFMS processing average time of 1.41 seconds, based on measurement activities of Document Search, Vendor Query, GL Detail Query, Budget Query, and Form Creation, exceeded the performance time of 2.25 average seconds as established in the support SLAs.

**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 Library ensures the Government Accountability Office's integration and assimilation into the LBFMS is supported.

**Accomplishment:** The performance goal to expand the user base of LBFMS was met in fiscal 2018. The successful integration of the GAO into the LBFMS made GAO 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. In fiscal 2019, the focus will be on simplifying and improving processes across the LBFMS agencies.

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

During FY 2018, the Library launched an Integrated Risk Management and Internal Control Framework (iRIC). The iRIC Framework is used to inform the Librarian of Congress, the Principal Deputy Librarian, and the Executive Committee about the status of risk management and internal control activities in the Library of Congress programs over a fiscal year. This Framework replaces the previous Internal Control Program. The Library's policy, as provided in LCR 1-630 states that:

The Library will implement and maintain an Integrated Risk Management and Internal Control Framework. The Framework will support management's commitment to implementing sound management practices to identify, assess, monitor and report on risks and internal control activities. The objectives of implementing the Framework include:

- A. Effective management of risks that may impact achievement of Library goals,
- B. Effective and efficient operations,
- C. Reliable financial and non-financial (including performance) reporting, and
- D. Compliance with applicable laws and standards.

Through implementation of the Framework, the Library made significant strides in maturing its risk management and internal control activities as evidenced by the following accomplishments:

- Establishment of a Library-wide Risk Register that documents the inventory of risks associated with Library-level annual performance goals and key business processes across all service units;
- Assessment of impact and probability of risks yielding a composite risk level of **LOW** to **CRITICAL** and strategies for mitigating or responding to risks;
- Integration of risk discussions with mid-year and end-of-year Executive Committee performance meetings;
- Preparation and distribution of quarterly risk status reports to the Executive Committee;
- Expansion of the current automated planning and performance system (Compass) to include functionality for capturing, monitoring, and reporting on risks;
- Assessment of the Library's implementation of risk management and internal control to best practices, as established for the Executive Branch agencies by OMB and GAO;
- Consolidation of strategic (Library-level annual performance goals) and operational (key business process) risk management activities into one framework; and
- Preparation of the Comprehensive Letter of Assurance for both strategic and operational risks.

There were 143 strategic and operational identified risks in the Library-wide Risk Register. Service units monitored and reported on these risks on a quarterly basis. The total number of risks increased from 141 in October 2017 to 143 as of September 30, 2018. The following are the risks added to the Risk Register:

- Risk associated with disaster recovery for eCopyright and legacy systems.
- Risk associated with improving access to linked open data.

During the year, there were minor adjustments to individual risk scores. However, these adjustments did not impact the overall distribution of risks across the Library. Average risk score was 4, low end of **Moderate**. There were only two substantive changes to risk levels, see below.

- Annual Performance Goal: Optimize and improve the competency and effectiveness of the Library-wide acquisition workforce: The total risk score was reduced from **HIGH** (9) to **Moderate** (4).
- Key Business Process: External Financial Reporting (Unliquidated Obligations): The risk level was reduced from **CRITICAL** (16) to **Moderate** (4).

### **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, 2018 and 2017

	(in thousands)	
	FY 2018	FY 2017
<b>ASSETS</b>		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$ 355,910	\$ 338,418
Investments (Note 3)	28,645	30,053
Accounts Receivable, Net (Note 4.A)	3,909	3,001
Advances and Prepaid Expenses (Note 1.I)	3,207	5,348
Total Intragovernmental	391,671	376,820
Cash and Other Monetary Assets (Note 1.G)	106	53
Pledges Receivable – Donations (Note 4.B)	4,504	7,312
Investments (Note 3)	144,959	140,942
Inventory and Operating Materials (Note 1.K)	280	322
Property and Equipment, Net (Note 5)	59,222	50,580
Beneficial Interest in Perpetual Trust (Note 1.R.3)	2,962	2,793
Other Assets	686	597
Library Collections (Note 1.M)		
<b>TOTAL ASSETS</b>	<b>\$ 604,390</b>	<b>\$ 579,419</b>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable and Accrued Funded Payroll, Benefits	\$ 3,621	\$ 3,540
Advances from Others	36,443	38,689
Accrued Unfunded Workers' Compensation (Note 8)	1,346	1,498
Other Intragovernmental Liabilities (Note 10)	4	2
Total Intragovernmental	41,414	43,729
Accounts Payable and Accrued Funded Payroll, Benefits	55,008	49,424
Deposit Account Liability	8,244	8,423
Accrued Unfunded Annual and Compensatory Leave	24,338	25,575
Actuarial Unfunded Workers' Compensation (Note 8)	7,187	7,223
Other Liabilities (Note 10)	6,392	5,623
<b>TOTAL LIABILITIES</b>	<b>\$ 142,583</b>	<b>\$ 139,997</b>
Commitments and Contingencies (Note 9)		
<b>NET POSITION</b>		
Unexpended Appropriations – All Other Funds	\$ 191,096	\$ 181,264
Cumulative Results of Operations – All Other Funds	44,130	31,235
Total Net Position – All Other Funds	235,226	212,499
Cumulative Results of Operations – Dedicated Collections (Combined) (Note 17)	226,581	226,923
Total Net Position – Dedicated Collections (Combined) (Note 17)	226,581	226,923
<b>TOTAL NET POSITION</b>	<b>\$ 461,807</b>	<b>\$ 439,422</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 604,390</b>	<b>\$ 579,419</b>

The accompanying notes are an integral part of these financial statements.

**THE LIBRARY OF CONGRESS**  
**Consolidated Statements of Net Costs**  
For the Years Ended September 30, 2018 and 2017

	(in thousands)	
	FY 2018	FY 2017
<b>NET COSTS BY PROGRAM AREA</b>		
<b>Library Services:</b>		
Program Costs	\$ 389,184	\$ 365,106
Less: Earned Revenue	(4,639)	(3,859)
<b>Net Program Costs</b>	<b>384,545</b>	<b>361,247</b>
<b>National and International Outreach:</b>		
Program Costs	185,003	192,343
Less: Earned Revenue	(68,044)	(72,385)
<b>Net Program Costs (Note 1.S)</b>	<b>116,959</b>	<b>119,958</b>
<b>Law Library:</b>		
Program Costs	27,557	34,119
Less: Earned Revenue	(253)	(242)
<b>Net Program Costs</b>	<b>27,304</b>	<b>33,877</b>
<b>Copyright Office:</b>		
Program Costs	102,730	83,423
Less: Earned Revenue	(43,067)	(41,271)
<b>Net Program Costs</b>	<b>59,663</b>	<b>42,152</b>
<b>Congressional Research Service:</b>		
Program Costs	158,762	152,390
Less: Earned Revenue	(516)	(270)
<b>Net Program Costs</b>	<b>158,246</b>	<b>152,120</b>
<b>NET COSTS OF OPERATIONS</b>	<b>\$ 746,717</b>	<b>\$ 709,354</b>

The accompanying notes are an integral part of these financial statements.

**THE LIBRARY OF CONGRESS**  
**Consolidated Statements of Changes in Net Position**

For the Years Ended September 30, 2018 and 2017

(in thousands)

	FY 2018			FY 2017		
	Dedicated Collections (Combined)	All Other Funds (Combined)	Consolidated Total	Dedicated Collections (Combined)	All Other Funds (Combined)	Consolidated Total
<b>UNEXPENDED APPROPRIATIONS</b>						
Beginning Balances	\$ 0	\$ 181,264	\$ 181,264	\$ 0	\$ 159,066	\$ 159,066
Budgetary Financing Sources:						
Appropriations Received	0	669,890	669,890	0	631,958	631,958
Other Adjustments	0	(3,886)	(3,886)	0	(5,026)	(5,026)
Appropriations Used	0	(656,172)	(656,172)	0	(604,734)	(604,734)
<b>Total Budgetary Financing Sources</b>	<b>0</b>	<b>9,832</b>	<b>9,832</b>	<b>0</b>	<b>22,198</b>	<b>22,198</b>
<b>TOTAL UNEXPENDED APPROPRIATIONS</b>	<b>\$ 0</b>	<b>\$ 191,096</b>	<b>\$ 191,096</b>	<b>\$ 0</b>	<b>\$ 181,264</b>	<b>\$ 181,264</b>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>						
Beginning Balances	\$ 226,923	\$ 31,235	\$ 258,158	\$ 209,713	\$ 29,985	\$ 239,698
Budgetary Financing Sources:						
Appropriations Used	0	656,172	656,172	0	604,734	604,734
Non-exchange Revenue	751	1	752	547	2	549
Donations of Cash or Securities	4,478	0	4,478	5,694	6	5,700
Realized Gains on Investments and Other	4,339	0	4,339	13,657	0	13,657
Other Financing Sources (Non-exchange):						
Donations of Property and Services	716	0	716	983	0	983
Imputed Financing	2,278	87,062	89,340	2,218	95,874	98,092
Unrealized Gains on Investments and Other	3,473	0	3,473	4,099	0	4,099
<b>Total Financing Sources</b>	<b>16,035</b>	<b>743,235</b>	<b>759,270</b>	<b>27,198</b>	<b>700,616</b>	<b>727,814</b>
<b>Net Cost of Operations</b>	<b>(16,377)</b>	<b>(730,340)</b>	<b>(746,717)</b>	<b>(9,988)</b>	<b>(699,366)</b>	<b>(709,354)</b>
<b>Net Change</b>	<b>(342)</b>	<b>12,895</b>	<b>12,553</b>	<b>17,210</b>	<b>1,250</b>	<b>18,460</b>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>	<b>\$ 226,581</b>	<b>\$ 44,130</b>	<b>\$ 270,711</b>	<b>\$ 226,923</b>	<b>\$ 31,235</b>	<b>\$ 258,158</b>
<b>NET POSITION</b>	<b>\$ 226,581</b>	<b>\$ 235,226</b>	<b>\$ 461,807</b>	<b>\$ 226,923</b>	<b>\$ 212,499</b>	<b>\$ 439,422</b>

The accompanying notes are an integral part of these financial statements.

**THE LIBRARY OF CONGRESS**  
**Combined Statements of Budgetary Resources**

For the Years Ended September 30, 2018 and 2017

(in thousands)

	FY 2018	FY 2017
<b>BUDGETARY RESOURCES</b>		
Unobligated balance from prior year budget authority, net	\$ 137,414	\$ 138,604
Appropriations (discretionary and mandatory)	686,049	687,075
Spending authority from offsetting collections (discretionary and mandatory)	147,040	122,028
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 970,503</b>	<b>\$ 947,707</b>
 <b>STATUS OF BUDGETARY RESOURCES</b>		
New Obligations and upward adjustments, total (Note 18)	\$ 843,551	\$ 838,002
<b>Unobligated balance, end of year:</b>		
Exempt from apportionment, unexpired accounts	102,460	91,260
Expired unobligated balance, end of year	24,492	18,445
<b>Unobligated balance, end of year (Total)</b>	<b>126,952</b>	<b>109,705</b>
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 970,503</b>	<b>\$ 947,707</b>
 <b>OUTLAYS, NET</b>		
Outlays, net (total) (discretionary and mandatory)	\$ 665,022	\$ 663,366
Distributed offsetting receipts (-)	(75)	(271)
<b>AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)</b>	<b>\$ 664,947</b>	<b>\$ 663,095</b>

*(The Library has no non-budgetary credit program financing accounts; all amounts above are budgetary.)*

The accompanying notes are an integral part of these financial statements.

**NOTE 1****SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. Reporting Entity**

The Library of Congress (the Library), a legislative branch agency of the U.S. government, was established in 1800 primarily to provide information to the Members and committees of the U.S. Congress. Since then, the Library has been assigned other major missions such as serving as the de facto national library, administering the U.S. copyright laws, providing cataloging records to the nation's libraries, and coordinating a national program to provide reading material for blind and physically handicapped residents of the U.S. and its territories and U.S. citizens residing abroad. The Library also provides services to other federal agencies and administers various gift programs and funds accepted and controlled by the Library of Congress Trust Fund Board (TFB).

The Library's programs and operations are subject to oversight by the Joint Committee on the Library, the oldest joint committee of the Congress, which is comprised of members of the U.S. House of Representatives and Senate. The Library is also subject to oversight by the U.S. House of Representatives Committee on House Administration and U.S. Senate Committee on Rules and Administration. The U.S. Copyright Office works closely with the Judiciary Committees of the House and Senate, which have oversight of copyright laws. The Library relies primarily on appropriated funds to support its programs and operations. Budget requests are subject to review by the House and Senate Appropriations Subcommittees on Legislative Branch Appropriations. The Library also receives funds from other agencies for services provided under the Economy Act and other statutes. In addition, the Library administers several fee-for-service revolving fund programs and receives donations from the public, which are classified as gifts or funds accepted and controlled by the TFB, which consists of the Librarian of Congress (who is Chairman and Secretary of the TFB), the Chairman and Vice-Chairman of the Joint Committee on the Library, the Secretary of the Treasury (or an assistant secretary designated in writing by the Secretary of the Treasury), and ten members appointed by the President (two), the U.S. House of Representatives (four), and the U.S. Senate (four).

Entity activities are those for which the Library has the authority to use the assets. Non-entity activities consist primarily of deposit accounts that are not available for use by the Library.

**B. Basis of Presentation**

The accompanying financial statements report the financial position, net costs, changes in net position, and budgetary resources of the Library for fiscal years 2018 and 2017. 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 2018 (and 2017) the statements include 4 (4) appropriations; 26 (26) revolving and gift revolving programs; 48 (37) reimbursable programs; 105 (105) TFB programs; and 140 (135) 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 2018 and 2017 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.
- Work and funding for Decimal Classification has ceased. In 2018, the remaining balance was refunded.
- The Gift Shop program operates a gift shop and other sales of items associated with collections, exhibits, performances, and special events at the Library.
- The Document Reproduction and Microfilm Services program provides document reproduction and microfilming services.
- Special Events and Programs revolving fund performs services related to the hosting of special events and programs by the Librarian in Library facilities.
- The FEDLINK program is the program of the Library under which procurement of publications and library support services, along with related accounting, education and support services are provided to federal government or District of Columbia entities.
- The Federal Research program provides research reports, translations, and analytical studies for federal government or District of Columbia entities.

The revolving fund programs report, but are not required to recover, unreimbursed inter-entity costs (imputed costs).

#### *Imputed Financing Sources*

In accordance with FASAB's Statement of Federal Financial Accounting Standards (SFFAS) No. 30, "Inter-Entity Cost Implementation Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts," the Library has recorded expenses for the material unreimbursed full costs of goods and services that it receives from other legislative branch agencies (e.g., the Architect of the Capitol and the Government Publishing 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 year 2018, donors provided in-kind donations for the Library's annual book festival and the Gershwin Prize for Popular Song award program. In 2018, a donor provided chairs for the motion picture theater. 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 meeting certain conditions.

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

The Library administered gift and TFB programs with combined net asset value of approximately \$ 187.2 million and \$187.9\* million during fiscal years 2018 and 2017, 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.

\*2017 restated

### **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
- an investment pool consisting of the following stock, index and money market funds. The investment vehicles approved by the TFB's Investment Committee, as delegated by the Board, during fiscal 2018 are:
  - Dodge & Cox Global Stock Fund
  - State Street Russell 3000 NL CTF
  - DSM Touchstone Large Co. Growth Institutional Fund
  - HS Management Large Growth Account
  - Diamond Hill Mid-Cap Account
  - Vaughan Nelson Value Opportunities Account
  - American Funds EuroPacific Growth F3 Fund
  - Harbor Diversified International All Cap Retire Fund
  - Lazard Emerging Markets Equity Institutional Fund
  - FPA Crescent Fund
  - BlackRock Strategic Income Opportunities K Fund
  - Loomis Sayles Strategic Alpha Y Fund
  - Templeton Global Bond R6 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 during fiscal 2017:

- 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

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 non-federal 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 2018 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 prepayments 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, 2018, and 91 collections as of September 30, 2017 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 2018 and 2017.

	September 30, 2017	Added	Removed	September 30, 2018
Library Services	84	2	1	85
Law Library	4	0	0	4
Shared Custody (LS & LL)	3	0	1	2
Total	91	2	2	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 for software licensed and not owned by the Library. 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.

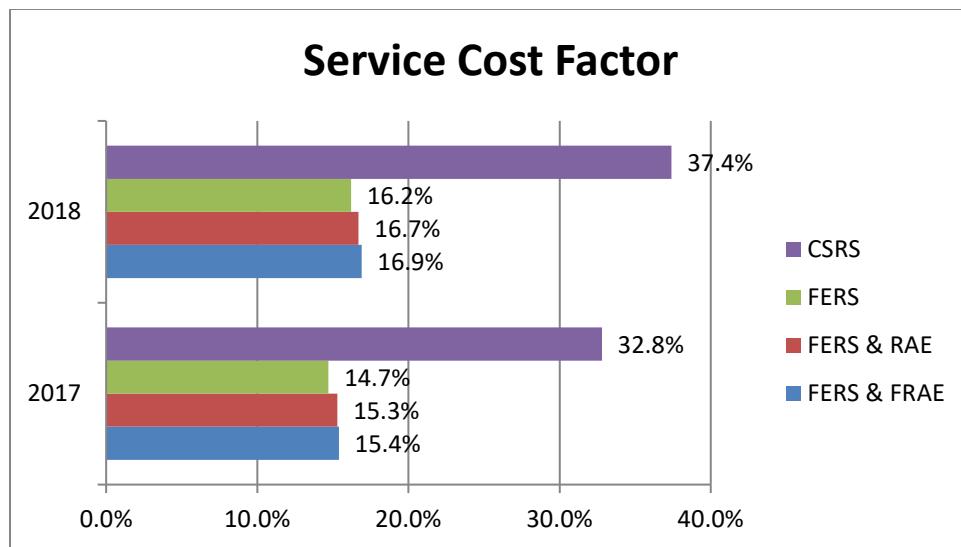
Approximately 9% and 10% of the Library's employees participated in the Civil Service Retirement System (CSRS) during fiscal years 2018 and 2017, respectively, to which the Library makes contributions equal to 7.0% of pay. Of those participating in CSRS, approximately 14% during both fiscal years 2018 and 2017 are also covered by Social Security (FICA), for which the Library's contribution is slightly less.

Approximately 84% and 82% of the Library's employees were covered by the Federal Employees Retirement System (FERS) during fiscal years 2018 and 2017, respectively, to which the Library's normal contribution was 13.7% for both fiscal years 2018 and 2017. Of those participating in FERS during fiscal years 2018 and 2017, approximately 23% and 18%, 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% for both fiscal years 2018 and 2017. 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 7% and 8% of the Library's employees were covered only by FICA during fiscal years 2018 and 2017, to which the Library contributes the employer's matching share of 6.2% of earnings up to \$128,400.

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 (LCCA)** - The LCCA 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 LCCA 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 2018 and 2017, the Library recorded the fair value of the beneficial interest in this perpetual trust. The fair value of a perpetual trust held by a third party can generally be measured using the fair value of the assets contributed to the trust, unless other facts and circumstances indicate the amount of the beneficial interest is substantially different. The Library has the irrevocable right to receive one-half of the income earned on these trust assets in perpetuity, but the Library will never receive the assets held in trust.

4. **Ira and Leonore Gershwin Trust Fund and Related Charitable Trust** - Under the will of Mrs. Leonore Gershwin, the TFB is the beneficiary of 37.5% of Mrs. Gershwin's "1987 Trust." The will established the Trust fbo The Library of Congress which was accepted by the TFB in January 1992. The primary purpose of the trust is to perpetuate the names and works of George and Ira Gershwin through all resources of the Library. The trust does not belong to the Library but is a separate entity administered by trustees. The net income of the trust is distributed to the Library's Ira and Leonore Gershwin Trust Fund yearly or upon request by the Library. The balance of the principal of the charitable trust will be distributed to the Library in 2033, fifty years after the date of death of Ira Gershwin.

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

## **S. Statement of Budgetary Resources**

The statement of Budgetary Resources has been re-formatted to conform to a new format received from Treasury and OMB, and certain fiscal 2017 amounts have been reclassified to conform to the fiscal 2018 presentation. The amounts did not change. Detail lines from the SF-133 are aggregated to the major categories deemed most significant by OMB and Treasury. Note 18 retains the expanded full details.

**NOTE 2**

**FUND BALANCE WITH TREASURY**

**Status of Fund Balance with Treasury**

	(in thousands)	
	FY 2018	FY 2017
Unobligated Balances – Available	\$ 81,715	\$ 68,951
Unobligated Balances – Unavailable	34,401	28,389
Obligated Balances Not Yet Disbursed	239,395	239,260
Non-budgetary	399	1,818
<b>TOTAL</b>	<b>\$ 355,910</b>	<b>\$ 338,418</b>

As of September 30, 2018 and 2017, 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.

**NOTE 3**

**INVESTMENTS, NET**

Investments as of September 30, 2018 and 2017, are as follows:

	(in thousands)		
FY 2018	Intragovernmental Investments (Non-Marketable, Market-Based)	Other Investments (Private Sector)	Total
Face Value	\$ 28,749	\$	\$ 28,749
Cost		138,158	138,158
Unamortized Premium			
Unrealized Discount	(104)		(104)
Interest Receivable			
<b>INVESTMENTS, NET</b>	<b>\$ 28,645</b>	<b>\$ 138,158</b>	<b>\$ 166,803</b>
<b>MARKET VALUE</b>	<b>\$ 28,869</b>	<b>\$ 144,959</b>	<b>\$ 173,828</b>

	(in thousands)		
FY 2017	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			
<b>INVESTMENTS, NET</b>	<b>\$ 30,053</b>	<b>\$ 135,703</b>	<b>\$ 165,756</b>
<b>MARKET VALUE</b>	<b>\$ 31,058</b>	<b>\$ 140,942</b>	<b>\$ 172,000</b>

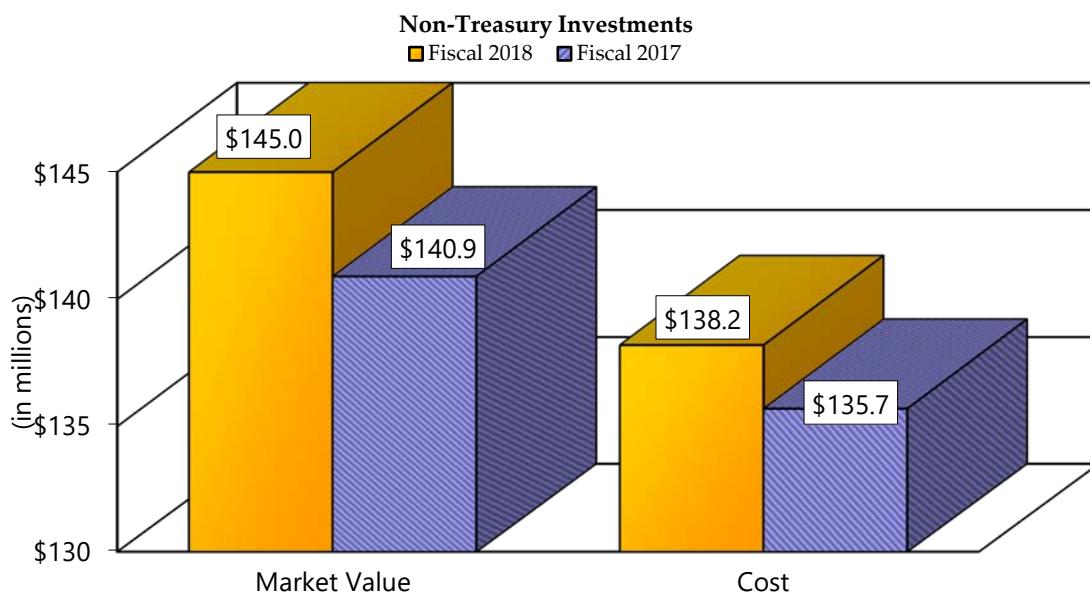
## A. Intragovernmental Investments

Non-marketable, market-based securities are Treasury notes and bills issued to governmental accounts that are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms. TFB fund investment maturity dates for bills held during fiscal years 2018 and 2017 range from December 07, 2017 to November 29, 2018 and December 22, 2016 to November 30, 2017, respectively, and interest rates for the same bills held during the same fiscal years range from 0.935% to 2.100% and 0.275% to 1.075%, 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, 2018 and 2017, are as follows:



**NOTE 4****RECEIVABLES**

The breakdown of consolidated gross and net accounts receivable as of September 30, 2018 and 2017 are as follows:

**A. Accounts Receivable**

	(in thousands)	
	FY 2018	FY 2017
Intragovernmental:		
Accounts Receivable, Gross	\$ 3,909	3,001
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 3,909</b>	<b>3,001</b>
With the Public:		
Accounts Receivable, Gross	643	480
Less: Allowance for Doubtful Accounts	(12)	(5)
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 631</b>	<b>\$ 475</b>

**B. Pledges Receivable**

As of September 30, 2018 and 2017, the Library had unconditional pledges of contributions totaling \$5.9 million and \$7.1 million, which were discounted through fiscal 2033 at market discount rates and included in the statement of financial position at their discounted value of \$4.5 million and \$7.3 million, respectively.

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

	(in thousands)	
	FY 2018	FY 2017
2018	0	1,454
2019	2,201	1,500
2020	312	266
2021	276	139
2022	130	129
2023 and thereafter	1,585	3,824
<b>TOTAL</b>	<b>\$ 4,504</b>	<b>\$ 7,312</b>

<b>NOTE 5</b>	<b>PROPERTY AND EQUIPMENT</b>
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Property and equipment that were capitalized as of September 30, 2018 and 2017, are as follows:

Classes of Property and Equipment	(in thousands)			FY 2018			FY 2017		
	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value	Acquisition Value	Accumulated Depreciation / Amortization	Net Book Value			
Operating Equipment	\$ 96,857	\$ 77,552	\$ 19,305	\$ 100,619	\$ 87,537	\$ 13,082			
Software	82,199	69,684	12,515	78,800	66,995	11,805			
Furniture & Furnishings	2,320	1,481	839	2,288	1,402	886			
Leasehold Improvements	59,430	37,332	22,098	45,745	34,048	11,697			
Leasehold Improvements-In Progress	4,465		4,465	13,110		13,110			
<b>TOTAL</b>	<b>\$ 245,271</b>	<b>\$ 186,049</b>	<b>\$ 59,222</b>	<b>\$ 240,562</b>	<b>\$ 189,982</b>	<b>\$ 50,580</b>			

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

	(in thousands)	
	FY 2018	FY 2017
Intragovernmental Non-Entity Assets	\$ 0	\$ 0
Accounts Receivable-With the Public	4	3
Total Non-Entity Assets	\$ 4	\$ 3
Total Entity Assets	\$ 604,386	\$ 579,416
<b>TOTAL ASSETS</b>	<b>\$ 604,390</b>	<b>\$ 579,419</b>

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

The Library did not have assets under capitalized leases as of September 30, 2018 and 2017.

**B. Operating Leases**

The Library leases office space and vehicles from the General Services Administration and warehouse space from the Architect of the Capitol. In fiscal year 2018, the Library has entered into a lease agreement with DP Facilities, Inc. for the Virginia Data Center operation. 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 2018 and 2017 amounted to \$12.7 million and \$11.8 million, respectively.

Estimated future minimum lease payments under multiyear operating leases having an initial or remaining non-cancelable lease term in excess of one year at September 30, 2018, and 2017 are as follows:

		(in thousands)	
Federal Leases		FY 2018	FY 2017
2018		\$ 0	\$ 1,230
2019		1,242	1,242
2020		1,105	1,105
2021		663	663
2022		447	447
2023 and thereafter		0	0
<b>TOTAL ESTIMATED FUTURE LEASE PAYMENTS</b>		<b>\$ 3,457</b>	<b>\$ 4,687</b>

Future minimum lease payments for 2017 have been restated to exclude cancelable leases.

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

The Library is using estimates provided by DOL to report the FECA liability. The Library accrued \$1.3 million and \$1.5 million of unbilled or unpaid workers' compensation costs as of September 30, 2018, and 2017, 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 \$7.2 million as of September 30, 2018 and 2017, respectively, and is based on a ten-year projection. This liability is recorded on the Balance Sheet as a liability with the public.

<b>NOTE 9</b>	<b>CONTINGENT LIABILITIES</b>
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Several claims against the Library relating to employment matters are pending at the administrative level or in court. The estimated loss for the claims that are probable is \$200,000. Therefore, an accounting entry for the estimate was posted. The estimated loss for claims that are reasonably possible is \$500,000. Therefore, an estimate was not posted but was disclosed in the notes to the financial statement. 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, 2018 and 2017, are comprised of the following:

	(in thousands)	
	FY 2018	FY 2017
Other Liabilities-Intragovernmental:		
Liability to Treasury General Fund	\$ 4	\$ 2
Total Intragovernmental	4	2
Contingent Liabilities (Note 9)	200	45
Liability for Clearing account	91	1,151
Deferred Credits	25	23
Advances From the Public	6,076	4,404
Total With the Public	6,392	5,623
<b>TOTAL</b>	<b>\$ 6,396</b>	<b>\$ 5,625</b>

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

	(in thousands)	
	FY 2018	FY 2017
Liabilities Covered by Budgetary Resources	\$ 109,512	\$ 105,656
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental	1,346	1,498
With the Public	31,725	32,843
<b>TOTAL</b>	<b>\$ 142,583</b>	<b>\$ 139,997</b>

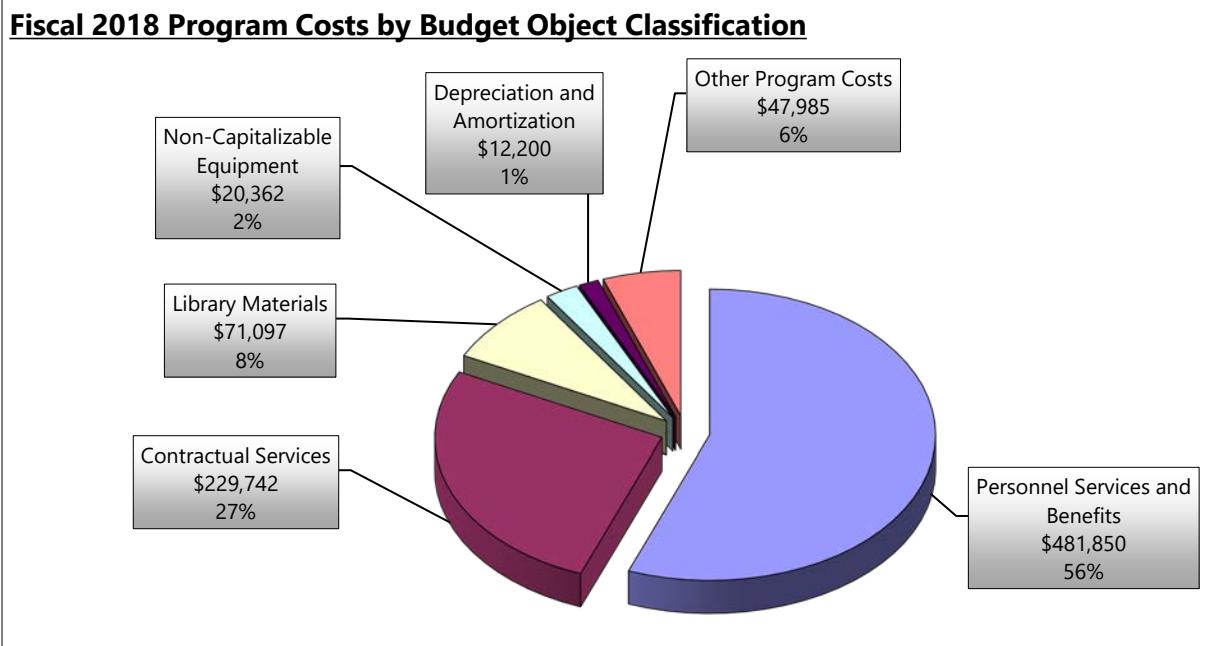
Liabilities covered by budgetary resources include accounts payable, advances from others, accrued funded payroll and benefits, custodial liabilities, deposit account liabilities, advances from the public, and deferred credits.

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

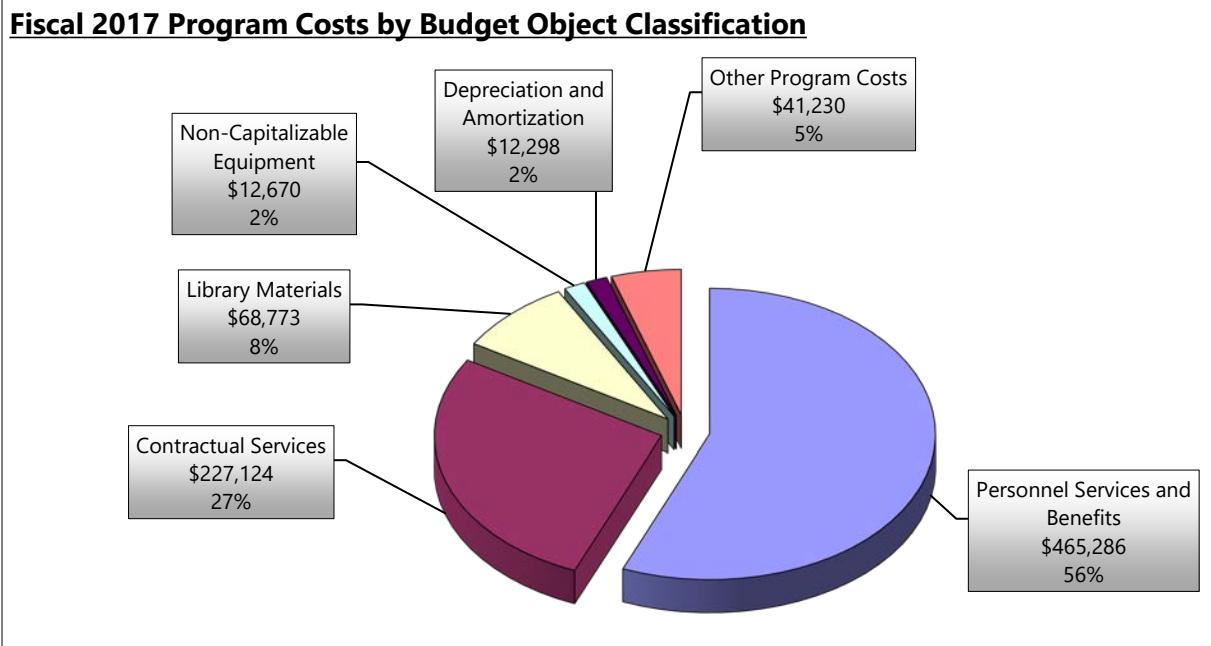
## NOTE 12

## PROGRAM COSTS BY BUDGET OBJECT CLASSIFICATION

(in thousands)



(in thousands)



The Library's collections are classified as Heritage Assets. \$29.9 million and \$30.9 million of the amount designated as Library Materials above represents the fiscal years 2018 and 2017 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 2018	FY 2017
Commerce and Housing Credit	\$ 71,714	\$ 63,537
Education, Training, Employment, and Social Services	674,930	647,421
General Government	116,592	116,423
<b>TOTAL</b>	<b>\$ 863,236</b>	<b>\$ 827,381</b>

**B. Earned Revenue by Functional Classification**

	(in thousands)	
	FY 2018	FY 2017
Commerce and Housing Credit	\$ 42,694	\$ 41,146
Education, Training, Employment, and Social Services	73,610	76,693
General Government	215	188
<b>TOTAL</b>	<b>\$ 116,519</b>	<b>\$ 118,027</b>

**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 2018	FY 2017
Audio-Visual Duplication Services:	Program Cost	\$ 71	\$ 133
	Less: Earned Revenue	(98)	(104)
	<b>Net Program Cost</b>	<b>(27)</b>	<b>29</b>
Cooperative Acquisitions Program:	Program Cost	3,017	2,904
	Less: Earned Revenue	(3,089)	(2,885)
	<b>Net Program Cost</b>	<b>(72)</b>	<b>19</b>
Decimal Classification:	Program Cost	0	0
	Less: Earned Revenue	1	0
	<b>Net Program Cost</b>	<b>1</b>	<b>0</b>
Document Reproduction and Microfilm Services:	Program Cost	571	676
	Less: Earned Revenue	(457)	(433)
	<b>Net Program Cost</b>	<b>114</b>	<b>243</b>
Gift Shop Operations:	Program Cost	2,094	2,010
	Less: Earned Revenue	(2,258)	(2,288)
	<b>Net Program Cost</b>	<b>(164)</b>	<b>(278)</b>
Federal Research:	Program Cost	1,778	2,032
	Less: Earned Revenue	(2,637)	(2,233)
	<b>Net Program Cost</b>	<b>(859)</b>	<b>(201)</b>
FEDLINK:	Program Cost	57,438	63,725
	Less: Earned Revenue	(56,881)	(62,137)
	<b>Net Program Cost</b>	<b>557</b>	<b>1,588</b>
Special Events:	Program Cost	5,067	3,763
	Less: Earned Revenue	(1,948)	(1,260)
	<b>Net Program Cost</b>	<b>3,119</b>	<b>2,503</b>
	<b>Total Program Cost</b>	<b>70,036</b>	<b>75,243</b>
	<b>Less: Total Earned Revenue</b>	<b>(67,367)</b>	<b>(71,340)</b>
	<b>TOTAL PROGRAM COSTS</b>	<b>\$ 2,669</b>	<b>\$ 3,903</b>

These programs are discussed further in Note 1.D.

**NOTE 16**

**CLASSIFICATION OF PROGRAM COSTS**

FY 2018	(in thousands)					Total	
	Intragovernmental		Public		Non-Production		
	Production	Non-Production	Production	Non-Production			
Library Services	\$ 117,856	\$ 31	\$ 271,039	\$ 258	\$ 389,184		
National and International Outreach Program	20,182	32	164,788	1	185,003		
Law Library	7,176	3	20,378	-	27,557		
Copyright Office	23,781	18	78,930	1	102,730		
Congressional Research Service	33,722	64	124,975	1	158,762		
<b>TOTAL</b>	<b>\$ 202,717</b>	<b>\$ 148</b>	<b>\$ 660,110</b>	<b>\$ 261</b>	<b>\$ 863,236</b>		

FY 2017	(in thousands)					Total	
	Intragovernmental		Public		Non-Production		
	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		
<b>TOTAL</b>	<b>\$ 208,699</b>	<b>\$ 95</b>	<b>\$ 618,326</b>	<b>\$ 261</b>	<b>\$ 827,381</b>		

**NOTE 17**

**FUNDS FROM DEDICATED COLLECTIONS**

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

- Collections of fees authorized annually for use by appropriations act for:
  - The Cataloging Distribution Service (CDS), the distribution arm for the Library of Congress bibliographic data and related technical publications. Pursuant to 2 U.S.C. §150, CDS sells its products to libraries throughout the United States and around the world and charges "...a price which will cover their costs plus ten per centum added." CDS earned revenues were \$2.5 million and \$2.6 million for fiscal years 2018 and 2017, 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 \$39.0 million and \$37.0 million for fiscal years 2018 and 2017, 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 \$9.6 million and \$20.0 million for fiscal years 2018 and 2017, respectively;
- Copyright Licensing Expenses revenues of \$1.6 million and \$2.0 million for fiscal years 2018 and 2017, 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, 2018, is summarized below. Intra-agency transactions have not been eliminated in the amounts presented below.

FY 2018 (Combined)	Offsetting Collections Programs	Public Revolving Programs	Gift and TFB Programs	Copyright Licensing Expenses	Total Dedicated Collections
<b>Balance Sheet:</b>					
Fund Balance with Treasury	\$ 35,858	\$ 12,391	\$ 12,755	\$ 0	\$ 61,004
Investments in U.S. Treasury Securities	0	0	20,666	0	20,666
Other Assets	1,964	794	152,425	0	155,183
<b>TOTAL ASSETS</b>	<b>\$ 37,822</b>	<b>\$ 13,185</b>	<b>\$ 185,846</b>	<b>\$ 0</b>	<b>\$ 236,853</b>
Liabilities	\$ 4,532	\$ 5,336	\$ 404	\$ 0	\$ 10,272
Cumulative Results of Operations	33,290	7,849	185,442	0	226,581
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 37,822</b>	<b>\$ 13,185</b>	<b>\$ 185,846</b>	<b>\$ 0</b>	<b>\$ 236,853</b>
<b>Statement of Net Cost:</b>					
Program Costs	\$ 44,154	\$ 11,321	\$ 14,525	\$ 1,649	\$ 71,649
Less: Earned Revenue	(41,452)	(12,089)	(82)	(1,649)	(55,272)
<b>NET COST OF OPERATIONS</b>	<b>\$ 2,702</b>	<b>\$ (768)</b>	<b>\$ 14,443</b>	<b>\$ 0</b>	<b>\$ 16,377</b>
<b>Statement of Changes in Net Position:</b>					
Net Position, Beginning	\$ 34,059	\$ 6,544	\$ 186,320	\$ 0	\$ 226,923
Net Cost	(2,702)	768	(14,443)	0	(16,377)
Non-Exchange Revenues and Donation Receipts	0	0	5,229	0	5,229
Other Financing Sources	1,933	537	8,336	0	10,806
<b>Change in Net Position</b>	<b>(769)</b>	<b>1,305</b>	<b>(878)</b>	<b>0</b>	<b>(342)</b>
<b>NET POSITION, ENDING</b>	<b>\$ 33,290</b>	<b>\$ 7,849</b>	<b>\$ 185,442</b>	<b>\$ 0</b>	<b>\$ 226,581</b>

Fiscal data as of and for the year ended September 30, 2017, is summarized below.

FY 2017 (Combined)	(in thousands)				
	Offsetting Collections Programs	Public Revolving Programs	Gift and TFB Programs	Copyright Licensing Expenses	Total Dedicated Collections
<b>Balance Sheet:</b>					
Fund Balance with Treasury	\$ 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
<b>TOTAL ASSETS</b>	<b>\$ 40,305</b>	<b>\$ 11,700</b>	<b>\$ 186,781</b>	<b>\$ 349</b>	<b>\$ 239,135</b>
 <b>Liabilities</b>					
Cumulative Results of Operations	\$ 6,246	\$ 5,156	\$ 461	\$ 349	\$ 12,212
	34,059	6,544	186,320	0	226,923
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 40,305</b>	<b>\$ 11,700</b>	<b>\$ 186,781</b>	<b>\$ 349</b>	<b>\$ 239,135</b>
 <b>Statement of Net Cost:</b>					
Program Costs	\$ 35,458	\$ 9,996	\$ 14,362	\$ 2,046	\$ 61,862
Less: Earned Revenue	(39,678)	(10,016)	(134)	(2,046)	(51,874)
<b>NET COST OF OPERATIONS</b>	<b>\$ (4,220)</b>	<b>\$ (20)</b>	<b>\$ 14,228</b>	<b>\$ 0</b>	<b>\$ 9,988</b>
 <b>Statement of Changes in Net Position:</b>					
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
<b>Change in Net Position</b>	<b>5,954</b>	<b>229</b>	<b>11,027</b>	<b>0</b>	<b>17,210</b>
<b>NET POSITION, ENDING</b>	<b>\$ 34,059</b>	<b>\$ 6,544</b>	<b>\$ 186,320</b>	<b>\$ 0</b>	<b>\$ 226,923</b>

NOTE 18	BUDGETARY RESOURCES
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Budgetary resources are classified as follows:

	(in thousands)					
	FY 2018			FY 2017		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<b>Budgetary Resources:</b>						
Unobligated balance brought forward, October 1	\$ 28,355	\$ 81,350	\$ 109,705	\$ 22,309	\$ 85,001	\$ 107,310
Recoveries of unpaid prior year obligations	11,717	6,072	17,789	19,070	6,323	25,393
Other changes in unobligated balance (+ or -)	(2,465)	12,385	9,920	(3,158)	9,059	5,901
<b>Unobligated balance from prior year budget authority, net</b>	37,607	99,807	137,414	38,221	100,383	138,604
Appropriations (discretionary and mandatory)	669,890	16,159	686,049	631,958	55,117	687,075
Spending authority from offsetting collections (discretionary and mandatory)	17	147,023	147,040	(367)	122,395	122,028
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 707,514</b>	<b>\$ 262,989</b>	<b>\$ 970,503</b>	<b>\$ 669,812</b>	<b>\$ 277,895</b>	<b>\$ 947,707</b>

<i>Status of Budgetary Resources:</i>						
New Obligations and upward adjustments	\$ 665,200	\$ 178,351	\$ 843,551	\$ 641,457	\$ 196,545	\$ 838,002
<b>Unobligated balance, end of year:</b>						
Exempt from apportionment, unexpired accounts	18,609	83,851	102,460	10,656	80,604	91,260
Expired unobligated balance, end of year	23,705	787	24,492	17,699	746	18,445
<b>Total unobligated balance, end of year</b>	<b>42,314</b>	<b>84,638</b>	<b>126,952</b>	<b>28,355</b>	<b>81,350</b>	<b>109,705</b>
<b>TOTAL BUDGETARY RESOURCES</b>	<b>\$ 707,514</b>	<b>\$ 262,989</b>	<b>\$ 970,503</b>	<b>\$ 669,812</b>	<b>\$ 277,895</b>	<b>\$ 947,707</b>

	(in thousands)					
	FY 2018			FY 2017		
	Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined
<b>Change in Obligated Balance:</b>						
<b>Unpaid obligations:</b>						
Unpaid obligations, brought forward, October 1 (gross)	\$ 184,123	\$ 58,121	\$ 242,244	\$ 166,079	\$ 61,904	\$ 227,983
New Obligations and upward adjustments	665,200	178,351	843,551	641,457	196,545	838,002
Outlays (gross) (-)	(647,893)	(176,837)	(824,730)	(604,343)	(194,005)	(798,348)
Recoveries of prior year unpaid obligations (-)	(11,716)	(6,072)	(17,788)	(19,070)	(6,323)	(25,393)
<b>UNPAID OBLIGATIONS, END OF YEAR (GROSS)</b>	<b>189,714</b>	<b>53,563</b>	<b>243,277</b>	<b>184,123</b>	<b>58,121</b>	<b>242,244</b>
<b>Uncollected Payments:</b>						
Uncollected customer payments from federal sources, brought forward, October 1 (-)	0	(2,770)	(2,770)	(367)	(4,430)	(4,797)
Change in uncollected customer payments from federal sources (+ or -)	(17)	(1,122)	(1,139)	367	1,660	2,027
<b>UNCOLLECTED CUSTOMER PAYMENTS FROM FEDERAL SOURCES, END OF YEAR (-)</b>	<b>(17)</b>	<b>(3,892)</b>	<b>(3,909)</b>	<b>0</b>	<b>(2,770)</b>	<b>(2,770)</b>
<b>OBLIGATED BALANCE, START OF YEAR (NET)</b>	<b>184,123</b>	<b>55,351</b>	<b>239,474</b>	<b>165,712</b>	<b>57,474</b>	<b>223,186</b>
<b>OBLIGATED BALANCE, END OF YEAR (NET)</b>	<b>\$ 189,697</b>	<b>\$ 49,671</b>	<b>\$ 239,368</b>	<b>\$ 184,123</b>	<b>\$ 55,351</b>	<b>\$ 239,474</b>

<b>Budget Authority and Outlays, Net:</b>						
Budget authority, gross (discretionary and mandatory)	\$ 669,907	\$ 163,182	\$ 833,089	\$ 631,591	\$ 177,512	\$ 809,103
Actual offsetting collections (discretionary and mandatory) (-)	(1,421)	(158,287)	(159,708)	(1,867)	(133,115)	(134,982)
Change in uncollected customer payments from federal sources (discretionary and mandatory) (+ or -)	(17)	(1,122)	(1,139)	367	1,660	2,027

	(in thousands)					
	FY 2018			FY 2017		
Appropriated Capital	Non-Appropriated Capital	Combined	Appropriated Capital	Non-Appropriated Capital	Combined	
Recoveries of prior year paid obligations (discretionary and mandatory)	1,421	12,386	13,807	1,867	9,060	10,927
<b>Budget authority, net (discretionary and mandatory):</b>	<b>\$ 669,890</b>	<b>\$ 16,159</b>	<b>\$ 686,049</b>	<b>\$ 631,958</b>	<b>\$ 55,117</b>	<b>\$ 687,075</b>
Outlays, gross (discretionary and mandatory)	\$ 647,893	\$ 176,837	\$ 824,730	\$ 604,343	\$ 194,005	\$ 798,348
Actual offsetting collections (discretionary and mandatory) (-)	(1,421)	(158,287)	(159,708)	(1,867)	(133,115)	(134,982)
<b>Outlays, net (discretionary and mandatory)</b>	<b>646,472</b>	<b>18,550</b>	<b>665,022</b>	<b>602,476</b>	<b>60,890</b>	<b>663,366</b>
Distributed offsetting receipts (-)	0	(75)	(75)	0	(271)	(271)
<b>AGENCY OUTLAYS, NET (DISCRETIONARY AND MANDATORY)</b>	<b>\$ 646,472</b>	<b>\$ 18,475</b>	<b>\$ 664,947</b>	<b>\$ 602,476</b>	<b>\$ 60,619</b>	<b>\$ 663,095</b>

A. For TFB programs, approximately \$10.0 million and \$9.9 million of unobligated authority for fiscal years 2018 and 2017, 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 \$87.1 million of restricted authority has been obligated and expended to invest in non-Treasury securities for the fiscal years 2018 and 2017, respectively.

B. Obligated undelivered orders, end of period:

	(in thousands)	
	FY 2018	FY 2017
Paid	\$ 3,263	\$ 5,470
Unpaid	184,648	189,416
<b>TOTAL UNDELIVERED ORDERS, END OF PERIOD</b>	<b>\$ 187,911</b>	<b>\$ 194,886</b>

C. Obligations incurred – Amounts Exempt from Apportionment:

	(in thousands)	
	FY 2018	FY 2017
Direct – Appropriated	\$ 665,201	\$ 641,457
Direct – Non Appropriated	28,292	63,251
subtotal Direct obligations incurred	693,493	704,708
Reimbursable – Non Appropriated	150,058	133,294
<b>TOTAL OBLIGATIONS INCURRED</b>	<b>\$ 843,551</b>	<b>\$ 838,002</b>

NOTE 19	RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET	
	(in thousands)	
	FY 2018	FY 2017
<b>RESOURCES USED TO FINANCE ACTIVITIES</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 843,551	\$ 838,002
Less: Spending Authority from Offsetting Collections and Recoveries	(178,635)	(158,348)
Obligations, Net of Offsetting Collections and Recoveries	664,916	679,654
Less: Distributed Offsetting Receipts	(75)	(271)
Net Obligations	664,841	679,383
Other Resources:		
Donations of Property and Services	716	983
Imputed Financing from Costs Absorbed by Others	89,340	98,092
Exchange Revenue not in the Budget	120	(457)
TFB/Gift/Special Programs Exchange Revenue Receipts	(4,092)	(4,009)
Other Resources (+/-)	3,473	4,099
<b>TOTAL RESOURCES USED TO FINANCE ACTIVITIES</b>	<b>\$ 754,398</b>	<b>\$ 778,091</b>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS</b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided (+/-)	\$ 11,532	\$(23,576)
Resources that Fund Expenses Recognized in Prior Period	(1,500)	(709)
Resources that Finance the Acquisition of Assets	(23,766)	(52,127)
Budgetary Offsetting Receipts that do not Affect Net Cost of Operations	75	271
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations (+/-)	(5,193)	(996)
<b>TOTAL RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS</b>	<b>(18,852)</b>	<b>(77,137)</b>
<b>TOTAL RESOURCES USED TO FINANCE THE NET COST OF OPERATIONS</b>	<b>\$ 735,546</b>	<b>\$ 700,954</b>
<b>COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability and Actuarial Liability	\$ 61	\$ 157
Other (+/-)	0	15
<b>Total Components Requiring or Generating Resources in Future Periods</b>	<b>61</b>	<b>172</b>
Components not Requiring or Generating Resources:		
Depreciation and Amortization	12,200	12,298
Revaluation of Assets or Liabilities	(1,219)	(4,057)
Other Costs not Requiring or Generating Budgetary Resources (+/-)	129	(13)
<b>TOTAL COMPONENTS NOT REQUIRING OR GENERATING RESOURCES</b>	<b>11,110</b>	<b>8,228</b>
<b>TOTAL COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD</b>	<b>11,171</b>	<b>8,400</b>
<b>NET COST OF OPERATIONS</b>	<b>\$ 746,717</b>	<b>\$ 709,354</b>

**NOTE 20**

**Fiduciary Activity and Net Assets**

SFFAS No. 31, "Accounting for Fiduciary Activities," defines fiduciary activities as those federal government activities that relate to the collection or receipt, and the subsequent management, protection, accounting, investment and disposition of cash or other assets in which non-federal parties have an ownership interest that the federal government must uphold.

Fiduciary assets are not assets of the Library of Congress and accordingly are not recognized on the balance sheet or other principal financial statements of The Library.

The Library of Congress Copyright Office Licensing Division (USCO) 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 Judges (CRJs). The CRJs have 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 – Fiduciary Investments in 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.

In accordance with the statutory licensing provisions of the Act, royalty fees collected for each license type and filing year are invested on behalf of copyright owners, net of reasonable costs incurred by the USCO, in U.S. Treasury securities. All interest income accrues to the copyright owners. The Treasury notes and bills are issued to governmental accounts and are not traded on any securities exchange, but mirror the prices of marketable securities with similar terms.

To ensure liquidity for distributions, royalty fees collected are generally first invested in U.S. Treasury notes with maturities of approximately one year. If funds are not immediately needed to fulfil a distribution order issued by the CRJs, funds from maturing securities are generally reinvested in U.S. Treasury bills with maturities of six to eight weeks. Maturity dates for fiduciary investments held at September 30, 2018 and 2017 range from October 4, 2018 to August 31, 2019 and October 12, 2017 to August 31, 2018, respectively. The yields on investments that matured in fiscal years 2018 and 2017 ranged between 0.945% and 1.935% and 0.185% and 0.966%, respectively.

Fiduciary Activity consists of the following:

	(in thousands)	
	FY 2018	FY 2017
<b>Beginning Fiduciary Net Assets</b>	<b>\$ 1,177,759</b>	<b>\$ 1,103,819</b>
Royalty fees received	221,669	217,375
Investment earnings	18,559	7,660
<b>Total Net Inflows to Fiduciary Net Assets</b>	<b>240,228</b>	<b>225,035</b>
Distributions to copyright owners	(102,007)	(148,642)
Refunds of royalty fees	(127)	(407)
Net royalty fees retained for administrative costs	(2,117)	(2,046)
<b>Total Outflows from Fiduciary Net Assets</b>	<b>(104,251)</b>	<b>(151,095)</b>
<b>Subtotal Net Fiduciary Activity</b>	<b>135,977</b>	<b>73,940</b>
<b>ENDING FIDUCIARY NET ASSETS</b>	<b>\$ 1,313,736</b>	<b>\$ 1,177,759</b>

Net Fiduciary Assets consist of the following:

	(in thousands)	
	FY 2018	FY 2017
<b>Fiduciary Assets</b>		
Fiduciary Fund Balance with Treasury	\$ 397	\$ 2,727
Investments in U.S. Treasury securities, net	1,313,237	1,175,083
Interest receivable from U.S. Treasury Securities	102	68
Accrued liabilities*	0	(119)
<b>TOTAL FIDUCIARY NET ASSETS</b>	<b>\$ 1,313,736</b>	<b>\$ 1,177,759</b>

\*2017 combined to reflect net accounts payable

**NOTE 21****Incidental Custodial Collections**

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 2018	FY 2017
<b>Miscellaneous Cash Collections:</b>		
Unclaimed Money, Collections of Receivables from Cancelled Accounts and General Fund Proprietary Receipts, Not Otherwise Classified:	\$ 4,358	\$ 180
<b>Total Net Custodial Collections</b>	<b>4,358</b>	<b>180</b>
Transferred to the General Fund of the Treasury	(4,358)	(180)
<b>Total Net Custodial Outflows</b>	<b>(4,358)</b>	<b>(180)</b>
<b>NET CUSTODIAL ACTIVITY</b>	<b>\$ 0</b>	<b>\$ 0</b>

# THE LIBRARY OF CONGRESS

## Management Report

Fiscal Year Ended September 30, 2018

### 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, 2018, the collection was determined to be in a useable condition for fulfilling the Library's service mission. During fiscal 2018, 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 INSPECTOR GENERAL LIBRARY

LIBRARY OF CONGRESS

## MEMO

**Date** April 26, 2019

**To** Dr. Carla Hayden  
Librarian of Congress  
**From** Kurt W. Hyde   
Inspector General

**Subject** Results of the Library of Congress' FY 2018 Financial Statements  
Audit, Report No. 2018-FN-101

The attached reports present the results of the annual audit of the Library of Congress' (Library) financial statements for fiscal years (FY) 2018 and 2017.

We contracted with the independent certified public accounting firm of Kearney & Company (Kearney) for the FY 2018 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-third 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 over Financial Reporting*

Kearney's consideration of internal controls over financial reporting (including the safeguarding of assets) resulted in a significant deficiency regarding the Library's complex financial reporting process resulting in improper reporting of

investment gains and losses and other errors.<sup>1</sup> Details for this finding are in the *Independent Auditor's Report on Internal Control over Financial Reporting*.

#### *Compliance with Laws and Regulations*

Kearney found no instance of noncompliance with laws and regulations tested. Details of its tests 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 5, 2019, and the conclusions expressed in the report.<sup>2</sup> 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

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

<sup>2</sup> 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 15, 2019.

## **INDEPENDENT AUDITOR'S REPORT**

To the Inspector General and Librarian of the Library of Congress

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

We have audited the accompanying consolidated financial statements of the Library of Congress (Library), which comprise the consolidated balance sheets as of September 30, 2018 and 2017, the related consolidated statements of net cost and changes in net position, and the combined statements of budgetary resources (hereinafter referred to as the “financial statements”) for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the 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. 19-01, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-01 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Library as of September 30, 2018 and 2017, 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 Management's Discussion and Analysis and other Required Supplementary Information (hereinafter referred to as the "required supplementary information") be presented to supplement the financial statements. Such information, although not a part of the 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 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 regarding the methods of preparing the information and comparing it for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Management Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the 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. 19-01, we have also issued reports, dated April 5, 2019, 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, 2018. 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. 19-01 and should be considered in assessing the results of our audits.

*Kearney & Company*

Alexandria, Virginia

April 5, 2019

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

To the Inspector General and Librarian of the Library of Congress

We have audited the financial statements of the Library of Congress (Library) as of and for the year ended September 30, 2018, and we have issued our report thereon dated April 5, 2019. 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. 19-01, *Audit Requirements for Federal Financial Statements*.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the 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. 19-01. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), such as those controls relevant to ensuring efficient operations.

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

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

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

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

The Library does not have a response to the findings identified in Kearney & Company, P.C.'s (Kearney) audit at this time, but it will respond to the findings identified in our audit at a later date. The Library's response was not subjected to the auditing procedures applied in our audit of the 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. 19-01 in considering the entity's internal control. Accordingly, this communication is not suitable for any other purpose.



Alexandria, Virginia

April 5, 2019

## **Schedule of Findings**

### **Significant Deficiency**

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

**Background:** As a Legislative agency of the Federal Government, the Library of Congress (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 Federal Accounting Standards Advisory Board (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.

**Condition:** During the fiscal year (FY) 2018 financial statement audit, the Library provided the draft financial statements a month after the initial due date, even though the initial due date was two months later than the prior year’s due date. The Library also failed to provide documentation related to investments timely, as key audit requests related to investments were provided a month to two months after their initial due date. As noted in prior years, these delays were cause by complex financial reporting processes, which required increased time on the part of management to review the financial statements and support schedules prior to providing them to Kearney & Company, P.C. (Kearney).

The Library took initial steps to address the issues related to complex financial reporting during FY 2018 by beginning to document processes and workflows. However, because of the broad overarching nature of this issue, it will take time to develop new processes and implement changes. Therefore, as of the end of FY 2018, the Library still had many complex financial reporting processes in place, making high-level reviews more difficult and increasing the risk of unidentified errors.

In FY 2018, the Library also took steps to address the issues identified around the improper recording of investment gains and losses. Most notably, the Library hired an outside consultant to review its current investment processes, workflows, and posting models and provide recommendations, as well as to assess these areas for improvement through modernization and automation. Additionally, the Library attempted to reconcile investment accounts at the end of FY 2018 but had not completed this exercise as of the end of the audit.

During FY 2018, the Library posted an unsupported amount of \$629 thousand to Gains on Disposition of Investments. Because the Library had not completed its reconciliation of investment accounts, it did not identify the error until well after FY 2018 year-end. While the Library had not issued its FY 2018 financial statements at the time it posted the correction in FY 2019, management chose not to adjust the FY 2018 financial statements and, instead, post the adjustment in the current year because it felt the amount was immaterial and because the two general ledger (GL) accounts impacted by the adjustment are reported on the same line in the financial statements, so the adjustment has no effect to the overall financial statements.

**Cause:** As noted in prior years, while the Library's financial processes are documented in cycle memos, there are very few standard operating procedures (SOP) or desk guides that provide step-by-step guidance on how to perform financial processes. This lack of documented procedures makes it difficult for Library staff to understand the how and/or why transactions are processed, making the review of transactions more difficult and less effective.

Specifically, in relation to investment accounts, Library personnel do not have documented procedures and are not performing timely reconciliations of the non-Treasury investments to include reconciling the realized and unrealized gains and losses. Therefore, errors posted to these accounts in FY 2018 went unnoticed by management until well into FY 2019. The Library also does not have procedures on how to properly record prior-period corrections of errors. Therefore, when the Library posted a correction for FY 2018 gains on investments in FY 2019, it posted the amounts to the wrong gain accounts.

Additionally, in an effort to reduce errors in financial reporting and related supporting schedules this year, the Library took additional time to review most schedules and documents prior to providing them to Kearney. While this may have reduced the number of errors we found during the audit, it had a negative impact on the timing of providing audit documentation.

**Effect:** Complex and undocumented financial reporting processes make it more difficult to perform high-level review and analysis of financial reporting results and leave the Library at risk that uncorrected errors in financial reporting or gaps in internal controls may go unnoticed by management. This will result in increased audit findings and potential errors in the financial statements.

Improper recording of unrealized and realized investment gains and losses may result in misstatements on the Statement of Changes in Net Position. Additionally, if corrections to prior-year gain and loss amounts are posted to the Unrealized Gain and Gain on the Sale of Investment accounts versus the Prior-Period Adjustments Due to Corrections of Errors account, this could result in a misstatement on the Statement of Changes in Net Position as well.

**Recommendations:** 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.
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 pushed down to the lowest level feasible to allow for a timely detailed 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.
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 GL accounts related to investments and realized and unrealized gains and losses. 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 GL account Market Adjustment – Investments 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 and to ensure that current-period realized and unrealized gains and losses are properly reported on the financial statements.

\* \* \* \*

## APPENDIX A: STATUS OF PRIOR YEAR DEFICIENCIES

In the *Independent Auditor's Report on Internal Control over Financial Reporting* included in the audit report on the Library of Congress' (Library) fiscal year (FY) 2017 financial statements,<sup>1</sup> we noted several issues that were related to internal control over financial reporting. The status of the FY 2017 internal control findings is summarized in the table below.

Control Deficiency	FY 2017 Status	FY 2018 Status
<b>Complex Financial Reporting Process Resulting in Improper Reporting of Investment Gains and Losses and Other Errors</b>	Material Weakness	Significant Deficiency
<b>Untimely De-Obligation of Funds</b>	Significant Deficiency	Management Letter
<b>Lack of Support and Untimely Recording of New Obligations</b>	Significant Deficiency	Closed
<b>Lack of Validation for the Accounts Payable Accrual</b>	Significant Deficiency	Management Letter

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<sup>1</sup> Library of Congress Financial Statements Fiscal Year 2017

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

To the Inspector General and Librarian of the Library of Congress

We have audited the financial statements of the Library of Congress (Library) as of and for the year ended September 30, 2018, and we have issued our report thereon dated April 5, 2019. 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. 19-01, *Audit Requirements for Federal Financial Statements*.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with provisions of applicable laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the financial statements. We limited our tests of compliance to these provisions and did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Library. Providing an opinion on compliance with those provisions was not an objective of our audit; accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 19-01.

### **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. 19-01 in considering the entity's compliance. Accordingly, this communication is not suitable for any other purpose.



Alexandria, Virginia

April 5, 2019