

The James Madison Council  
of the Library of Congress  
2002 Annual Report



*“...the stalwart support of the Madison Council has propelled the Library to reach out across the nation and around the world...”*

James H. Billington  
The Librarian of Congress

PAGES 2 AND 3

Scenes from various activities of the Second Annual National Book Festival.

PAGE 6 AND 8

Madison Council  
Spring meeting 2002  
A Patriotic Salute.

PAGE 11 AND 12

Madison Council  
Fall meeting 2002  
in conjunction with  
*When They Were Young*  
exhibition.

PAGE 19 AND 20

Madison Council trip to Russia,  
spring 2002, fifth in a series of  
“Great Libraries of the World”  
tour.















During the past 13 years, the stalwart support of the Madison Council has propelled the Library to reach out across the nation and around the world in ways that were unthinkable in 1989. Who would have imagined then that the year 2002 would bring:

- world-renowned scholars to the Library for research and dialog with members of Congress at the new center created by our visionary Chairman, John Kluge;
- 45,000 visitors to Washington—including the first lady of Russia, Ludmila Putin—for the Library’s second National Book Festival cohosted by First Lady Laura Bush, and that thousands more would watch the events of the day on C-SPAN;
- millions of educators, librarians, students, and lifelong learners throughout the world to visit the Library every single day through our award-winning Web sites;
- more than 8 million (and growing) items on-line;
- teachers developing lesson plans based on the Library’s historical source materials available over the World Wide Web;
- partnerships with other libraries around the world to link resources and make multilingual materials available through our Global Gateway Web site; and
- a \$1.5 million gift expanded into \$135 million worth of public service announcements on television, radio, and the Internet, resulting in one of the most successful campaigns ever run by the Advertising Council.

Recent surveys reveal that in just three years, awareness of America’s Library, a fascinating Web graphic site for children, has tripled among preteens from 8 to 24 percent.

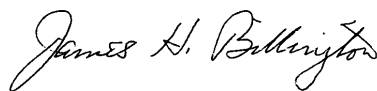
The growing awareness of this educational Web site runs across gender, age groups, and locality. African-American preteens lead the way with 40 percent awareness of the site.

The Veterans History Project has been another groundbreaking initiative that has brought the Library's name to the forefront. With the guidance and support of Madison Council member James Parkel and AARP this effort to collect first-person accounts of those who served America during wartime has exceeded all expectations. With AARP's vast audience of 35 million members and the personal involvement of congressional leaders, thousands of Americans of all ages has been interviewed. Their stories and documentary materials are being preserved in the Library's American Folklife Center. With events such as the one held aboard the U.S.S. Intrepid Sea-Air-Space Museum in New York on June 6, 2002, the program is drawing wide media coverage and increasing public participation in this important project.

A major highlight of the past year was the extraordinary experience of traveling with 37 Madison Council members and their spouses and guests to Russia for the fifth Great Libraries of the World tour. Participants played an important ambassadorial role, helping strengthen friendship between the Library and our hosts at numerous Russian cultural institutions.

I deeply appreciate the important role you all have played and continue to play in the myriad activities that are expanding so dramatically the Library's educational outreach efforts. With very best wishes and our hopes to see you here soon,

Sincerely,

A handwritten signature in cursive script that reads "James H. Billington".

James H. Billington  
The Librarian of Congress







We often greet one another with the question “How are you?” I prefer to ask “What’s new?” New challenges bring energy and vitality to our lives, and the same is true for organizations. As the Madison Council begins its 14th year of supporting the Library in its expanding outreach efforts, an appropriate question is “What’s new?”

With the enthusiastic support of Vice Chairman Ed Cox, and the wise guidance of our Steering Committee, a number of committees have been reorganized and new ones created. These advisory committees are being energized and expanded to include law, acquisitions, music and performing arts, art and architecture, friends and outreach, and international interests and are being chaired by Leonard Silverstein, Ed Cox, Glenn Jones, Nancy Glanville Jewell, Ray Smith, and Raja Sidawi respectively. It is exciting to see so many members participating in these groups. As each of us become contributors in every way —money, time, and counsel— we strengthen the Library’s efforts to make its resources more accessible worldwide.



When the Council was established in 1989, it was known as the James Madison National Council. With the creation of the Council’s International Committee, we are making great strides in our efforts to help the Library reach out to a broader international audience. This committee coupled with initiatives such as the Global Gateway Web site, are having a significant impact on the Library’s role in the international community. I am pleased that Stein Erik Hagen from Norway has joined Lady Sainsbury and Lord Black as a founding member of this prestigious International Group.

Ray Smith and his son Paul have taken the lead in the establishment of a new group called Madison Associates. This new membership group is targeting a younger audience with a goal of 250 to 300 individuals from the business, technology, arts, and governmental communities. We anticipate that a number of Madison Associates will be children of Madison Council members, and that the group will build on the success of the Madison Council by involving a whole new constituency of dynamic and philanthropic persons with a commitment to the causes the Council has supported for the past 13 years.

These are just a few examples of “What’s new” with the Madison Council. As a dynamic group of entrepreneurs and philanthropists, each member has played an important role in helping the Library make its vast resources better known and more accessible. I have no doubt that the Council will continue to support the Library’s exciting outreach efforts and always search for new ways to build on the successes of the past and bring new energy and vitality to the Council.

A handwritten signature in black ink, which appears to read "John W. Kluge". The signature is fluid and cursive.

John W. Kluge  
Chairman





## FOUNDING MEMBERSHIP

FEBRUARY 15, 2002

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Chairman  
Edwin L. Cox Company  
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Law Offices  
Silverstein and Mullens  
Washington, DC

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Chairman Emeritus  
Encyclopaedia Britannica  
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Capital Research and  
Management Company  
President and Director  
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**Whitehead**  
New York, NY

**Ms. Diane R. Wolf**

New York, NY

**Mr. Michael B. Yanney**

Chairman and CEO  
America First Companies  
Omaha, NE

**Please note:**

Names of Jeffersonians,  
Madison Council members  
who have given \$1 million  
or more, appear in **blue**.





## James Madison National Council Fund

## Statement of Financial Position

SEPTEMBER 30, 2002

**ASSETS**

Cash	\$ 71,576
<b>Investments: (Note 2)</b>	
U.S. Treasury Market Based Securities	3,695,837
U.S. Treasury Permanent Loan	561,787
Growth and Income Pool	454,879
Total investments	4,712,503
<b>Receivables:</b>	
Pledges (Note 3)	1,167,280
Accrued interest	16,738
Total receivables	1,184,018
<b>Total assets</b>	<b>\$ 5,968,097</b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 527,096
Accrued payroll and annual leave	20,633
<b>Total liabilities</b>	<b>547,729</b>
<b>Net assets (Note 4)</b>	
Unrestricted-Undesignated	3,311,942
Unrestricted-Council designated for projects	227,036
Temporarily donor restricted for projects	1,881,390
<b>Total net assets</b>	<b>5,420,368</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,968,097</b>

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





James Madison National Council Fund  
Statement of Activities

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

**CHANGES IN UNRESTRICTED NET ASSETS**

Revenues

Membership contributions	\$ 1,026,871
Miscellaneous gifts	33,542
Interest	148,725
Net unrealized loss and realized gain on investments (Note 2)	(108,617)
Imputed financing for cost subsidies (Note 5)	20,264
Net assets released from restrictions	736,409

**Total revenues** 1,857,194

Expenses (see Schedule B)

Personnel costs	418,932
Travel and transportation and subsistence/support persons	58,633
Other services	276,785
Books and library materials	142,632
Exhibit opening events, receptions, and Madison Council meetings	112,149
Professional and consultant services	909,758
Office supplies and materials	2,239
Printing, publishing, and photoduplicating	52,397

**Total expenses** 1,973,525

**Decrease in unrestricted net assets** (116,331)

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Contributions	898,559
Net assets released from restrictions	(736,409)

**Increase in temporarily restricted net assets** 162,150

**Increase in net assets** 45,819

**Net assets at beginning of year** 5,374,549

**Net assets at end of year** \$ 5,420,368

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

James Madison National Council Fund  
Statement of Cash Flows

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Donations received	\$ 1,190,412
Interest received	156,640
Cash paid to others	(2,348,745)
Cash paid to employees	(400,137)

**Net cash provided by operating activities** (1,401,830)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investment in U.S. Treasury Market Based Securities	(1,902,645)
Investment in U.S. Treasury Permanent Loan	(28,089)
Redemption of Investment in U.S. Treasury Market Based Securities	3,333,507
Redemption of Investment in U.S. Treasury Permanent Loan	28,089

**Net cash used by investing activities** 1,430,862

**Net Increase in Cash** 29,032

**Cash at beginning of year** 42,544

**Cash at end of year** \$ 71,576

**RECONCILIATION OF CHANGES IN NET ASSETS  
TO NET CASH FROM OPERATING ACTIVITIES**

**Change in Net Assets** \$ 45,819

**ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS  
TO NET CASH PROVIDED FROM OPERATING ACTIVITIES**

Non-cash loss on mutual fund investments	108,616
Increase in pledges receivable	(768,559)
Decrease in accrued interest receivables	7,915
Decrease in accrued payroll and annual leave	(1,469)
Increase in accounts receivable	24,269
Decrease in accounts payable	(818,421)

**Total Adjustments** (1,447,649)

**Net Cash from Operating Activities** \$ (1,401,830)

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

James Madison National Council Fund  
 SEPTEMBER 30, 2002

**Note 1. Reporting Entity and Summary of Significant Accounting Principles**

**A. Description of Fund**

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

The James Madison National Council is an advisory board of business people and philanthropists that contribute ideas, expertise, and financial backing to support the Library's collections and programs. The Council is open to persons from the private sector interested in advancing the Library's outreach mission. There are 105 members of the Council.

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

**B. Basis of Accounting and Presentation**

The Fund's financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

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

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

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

**C. Use of Estimates**

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

**D. Contributions and Revenue Recognition**

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

**E. Income Tax**

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

**F. Investment Policy**

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

- a permanent loan with the U.S. Treasury
- a pool of U.S. Treasury market-based securities
- a private investment pool consisting of five stock funds and one money market fund. The funds recommended by the Library of Congress Trust Fund Board's investment committee and approved by the Board are:
  - Vanguard Money Market Prime Fund
  - Fidelity Fifty Fund



- Fidelity Stock Selector
- Vanguard Total Stock Market Index Fund—Admiral Shares
- Vanguard Institutional Index Fund
- RS The Emerging Growth Fund

Investments in U.S. market-based securities are stated at cost net of any unamortized premium or discount, which approximates market value at September 30, 2002. The permanent loan is an interest bearing par value investment which equals the market value. Stock and money market mutual funds are stated at current market value.

## Note 2. Investments

### A. U.S. Treasury

An act of Congress approved March 3, 1925, and subsequently amended, permits up to \$10 million of trust funds to be invested with the United States Treasury as a perpetual loan, at a floating interest rate, adjusted monthly, but no less than four percent per annum. At September 30, 2002, \$561,787 of JMNC Fund funds were invested in the U.S. Treasury permanent loan at an interest rate of five percent. Other investments with U.S. Treasury were as follows:

Investment	Non-Marketable, Market Based Government Securities
Par	\$ 3,679,178
Unamortized Premium	21,994
Unamortized Discount	(5,335)
Amortized Cost	<u>\$ 3,695,837</u>

### B. Mutual Funds

The JMNC Fund invested \$500,000 in the growth and income pool (non-Treasury mutual fund investments) in 1996. Market value of the growth and income pool as of September 30, 2002, totaled \$454,879.

The net loss on investments of \$108,617 consists of the following: \$7,665 realized gain of mutual fund capital gains distributions; \$308 realized gain of money market dividends and \$116,590 unrealized loss on the growth and income pool.

## Note 3. Pledges

Contributions of unconditional promises to give (pledges) to the JMNC Fund are recognized as temporarily restricted revenue in the period received. They are recorded at their present value using a market discount rate. Accretion of the discount in subsequent years is also recorded as contribution revenue. Outstanding pledges of \$1,300,000 at September 30, 2002, were discounted through fiscal 2007 at a market discount rate and are included in the statement of financial position at their discounted present value of \$1,167,280. The amounts due in future years at their current discounted value are: \$98,580 in fiscal 2003; \$96,670 in fiscal 2004; \$94,230 in fiscal 2005; \$877,800 in fiscal 2007.

## Note 4. Net Assets

The JMNC Net Assets of \$5,420,368 are classified as Unrestricted-Undesignated, Unrestricted-Council Designated for Projects or Temporarily Donor Restricted for Projects. Of this total amount, \$3,311,942 is classified as Unrestricted-Undesignated. The balance of \$2,108,426 consisting of \$227,036 (Unrestricted-Council Designated for Projects) and \$1,881,390 (Temporarily Donor Restricted for Projects) is earmarked for initiatives such as the outreach program for the Hebraic section; Illustrated Guides to the Special Collections; Advertising Council campaign for the Library's Web sites; digitization of materials for the Global Gateway, the Library's international website; exhibitions; the Madison Council Fellow in Library and Information; a publication about the history of the United States House of Representatives; numerous curatorial projects; the Library's docent program; and the National Book Festival.

Ending Net Assets includes undelivered orders of \$307,564 which are funds that have been obligated for goods and services not yet received for JMNC Fund operations and designated projects.

## Note 5. Imputed Financing for Cost Subsidies

An adjustment of \$20,264 was recorded as an imputed financing source and a corresponding expense in the accompanying financial statements. This adjustment recognizes the full cost of pensions and other health and life insurance benefits during the employees' active years of service.

**Note 6. Expenses by Functional Classification**

As permitted by SFAS No. 117, the Library has elected to present its operating expenses by natural classification in its Statements of Activities for the period ending September 30, 2002. The functional breakdown of these expenses is as follows (see Schedule B):

Fiscal Year 2002 Expenses by Functional Classification	Amount
JMNC Fund Projects and Programs	\$ 254,593
Members' Specific Projects	736,409
Supporting Activities—Fundraising	<u>982,523</u>
Total Expenses	<u>\$ 1,973,525</u>

**Note 7. Retirement Plans**

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

In fiscal 2002, the JMNC Fund paid approximately \$25,705 to fund retirement benefits, excluding FICA taxes.

This information is an integral part of the accompanying financial statements.



**To the Steering Committee  
James Madison National Council Fund**

We have audited the accompanying statement of financial position of the James Madison National Council Fund (the Fund) as of September 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

**SUMMARY**

As stated in our opinion, the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

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

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

**OPINION ON FINANCIAL STATEMENTS**

We have audited the accompanying statement of financial position of the Fund as of September 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of September 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

#### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over financial reporting that we have reported to management of the Fund in a separate letter dated January 15, 2003.

#### **COMPLIANCE**

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



January 15, 2003



SUPPLEMENTAL INFORMATION

JAMES MADISON NATIONAL COUNCIL FUND

**SCHEDULE A**

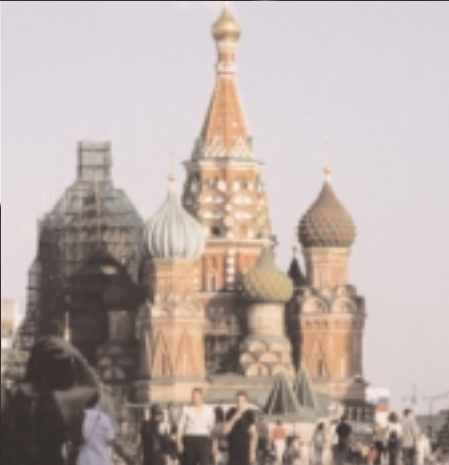
**SCHEDULE OF NET ASSETS AVAILABLE FOR DESIGNATION**

Total Net Assets	<u>\$ 5,420,368</u>
Net assets restricted by donors for projects	(1,881,390)
Net assets designated by the Council for project	<u>(227,036)</u>
Total restricted or designated net assets	<u>(2,108,426)</u>
<b>Net Assets Available for Designation</b>	<b><u><u>\$ 3,311,942</u></u></b>

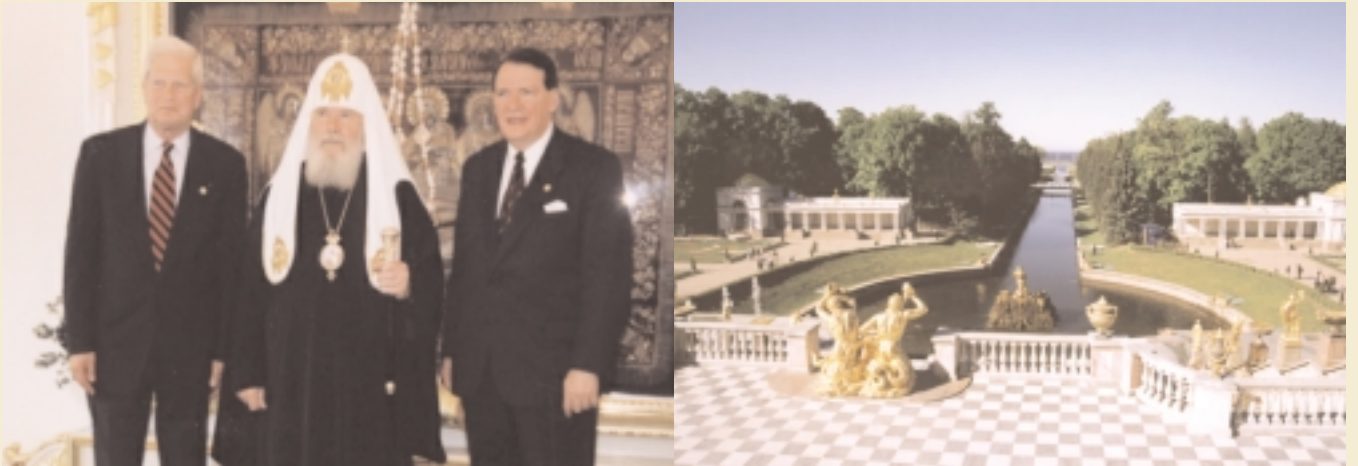
**SCHEDULE B**

**SCHEDULE OF EXPENDITURES**

	Fund Projects and Programs	Members' Specific Projects	Supporting Activities— Fundraising	Total
Personnel costs	\$ 3,157	\$ 2,103	\$ 413,673	\$ 418,932
Travel and transportation and subsistence/ support persons	242	7,549	50,841	58,633
Other services	119	36,059	240,608	276,785
Books and library materials	91,501	47,207	3,924	142,632
Exhibit Opening Events, Receptions, and Madison Council Meetings	1,581	36,170	74,398	112,149
Professional and consultant services	157,103	606,433	146,222	909,758
Office supplies and materials	73	42	2,124	2,239
Printing, publishing, and photoduplicating	<u>817</u>	<u>846</u>	<u>50,734</u>	<u>52,397</u>
<b>Totals</b>	<b><u><u>\$ 254,593</u></u></b>	<b><u><u>\$ 736,409</u></u></b>	<b><u><u>\$ 982,523</u></u></b>	<b><u><u>\$ 1,973,525</u></u></b>









Project supervision

Larry Stafford

Design

Dennis |Konetzka |Design Group, Washington DC

Photography

cover: Charlynne Pyne (capitol); Sheryl Cannady (children);

Vivian Ronay (Moscow); Carol Highsmith (statue)

page 1: Carol Highsmith

pages 2–3: Sheryl Cannady, Michael Carpenter,  
Michaela McNichol, Shawn Morton, Charlynne Pyne,  
and Vivian Ronay

pages 6, 8, 19 and 20: Vivian Ronay

page 11-12: John Nelson

