

# National Digital Library Program

Annual Review 1999

# NATIONAL DIGITAL LIBRARY TRUST FUND

## STATEMENT OF FINANCIAL POSITION

September 30, 1999

### **ASSETS**

Cash	\$	144,297
Investments (Note 2)		17,756,357
Receivables:		
Pledges (Note 3)		5,989,830
Accrued interest		149,189
Accounts		49
Total Receivables		<u>6,139,068</u>
Operating Materials and Supplies		<u>125</u>
<b>Total assets</b>	<b>\$</b>	<b><u>24,039,847</u></b>

### **LIABILITIES AND NET ASSETS**

Accounts payable	\$	316,330
Accrued payroll and annual leave		<u>144,399</u>
<b>Total liabilities</b>		<u>460,729</u>

### **NET ASSETS (Note 4)**

Temporarily Restricted		<u>23,579,118</u>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b><u>24,039,847</u></b>

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

# NATIONAL DIGITAL LIBRARY TRUST FUND

## STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 1999

### **CHANGES IN UNRESTRICTED NET ASSETS**

#### **REVENUES**

Imputed financing sources (Note 6)	\$	101,600
Interest		860,139
Net assets released from restrictions		<u>5,536,688</u>
<b>Total revenues</b>		<u>6,498,427</u>

#### **EXPENSES**

Personnel costs		2,782,484
Digitizing and other services		1,892,741
Professional and consultant services		619,814
Awards to other archival institutions (Ameritech)		410,313
Non-capitalized equipment		318,817
Printing, publishing, and photoduplicating		118,346
Services of the Library and other agencies		81,553
Entertainment		62,138
Rental		59,000
Travel and transportation		55,031
Computer software		39,613
Office supplies		32,294
Tuition and training		20,607
Postage		3,873
Books and library materials		<u>1,803</u>
<b>Total expenses</b>		<u>6,498,427</u>

### **CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Donations (Note 5)		1,287,641
Net assets released from restrictions		<u>(5,536,688)</u>
<b>Changes in Temporarily Restricted Net Assets</b>		<u>(4,249,047)</u>

**Decrease in Net Assets** (4,249,047)

**Net Assets at Beginning of year** 27,828,165

**Net Assets at End of year** \$ 23,579,118

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

**NATIONAL DIGITAL LIBRARY TRUST FUND**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 1999

Cash flows from operating activities:		
Donations Received	\$	8,129,348
Interest Received		879,925
Cash paid to others		(4,008,107)
Cash paid to employees		(2,652,115)
<b>Net cash provided by operating activities</b>		<u><b>2,349,051</b></u>
Cash flows from investing activities:		
Investment in U.S. Treasury Market-Based Securities		(11,633,984)
Investment in U.S. Treasury Permanent Loan		(26,032)
Redemption of Investment in U.S. Treasury Market-Based Securities		9,004,877
Redemption of Investment in U.S. Treasury Permanent Loan		1,031
<b>Net cash used in investing activities</b>		<u><b>(2,654,108)</b></u>
<b>Net (Decrease) in Cash</b>		<b>(305,057)</b>
<b>Cash at beginning of year</b>		<u><b>449,354</b></u>
<b>Cash at end of year</b>	\$	<u><u><b>144,297</b></u></u>
Reconciliation of Changes in Net Assets to Net Cash From Operating Activities		
<b>Changes in Net Assets</b>	\$	<b>(4,249,047)</b>
Adjustments to reconcile changes in net assets to net cash provided from operating activities:		
Decrease in pledges receivables (Note 3)		6,841,707
Decrease in accounts receivables		1,630
Decrease in accrued interest receivables		19,786
Increase in accrued payroll and annual leave		28,769
(Decrease) in accounts payable		(293,821)
Decrease in operating materials & supplies		27
<b>Total Adjustments</b>		<u><b>6,598,098</b></u>
<b>Net Cash from Operating Activities</b>	\$	<u><u><b>2,349,051</b></u></u>

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

**NATIONAL DIGITAL LIBRARY TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 1999**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**A. DESCRIPTION OF FUND**

The National Digital Library Trust Fund (NDLTF) supports the mission and strategic objectives of the National Digital Library Program (NDLP). The program is a public-private partnership created to digitize American history and cultural materials, to build a broad-based national coalition of digital archives and libraries, to provide access to electronic materials, to develop a catalog for electronic materials, to promote standards and practices for the use of digital materials, and to provide other related outreach services. The NDLP, when completed, will be an unsurpassed on-line resource for the study of American history and culture. Making priceless treasures of American history accessible to all Americans in their own local communities is central to the Library's goal of enriching education in America and widening access to the documentary record of America's knowledge and creativity.

The National Digital Library Trust Fund consists of the following sub-accounts:

- NDL General Trust
- Scott Trust
- Kellogg Trust
- Ameritech Trust
- McCormick Tribune Trust
- Koch Foundation Trust
- Mellon Foundation Trust
- Microsoft Trust
- Pew Charitable Trust
- Hewlett Foundation Trust

The NDLTF is the primary private sector source of funding for the NDLP. The program also receives funding from appropriated funds, a gift fund, and an endowment fund.

The NDLTF was approved by the Library of Congress Trust Fund Board and the Joint Committee on the Library in September 1994 and operates on a fiscal year beginning October 1 and ending September 30.

Significant accounting policies followed by the NDLTF are presented on the following pages.

## **B. BASIS OF ACCOUNTING AND PRESENTATION**

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

The NDLTF adopted financial reporting standards applicable to not-for-profit organizations. The financial statements are prepared in accordance with Financial Accounting Standards No. 117, and recognize 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 expiration of donor-imposed restrictions on contributions. These assets are available to the Fund for use in support of current operations. The Library of Congress provides support services to the NDLTF and 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 NDLTF.

## **C. USE OF ESTIMATES**

The preparation of the NDLTF'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 may differ from these estimates.

## **D. DONATIONS AND REVENUE RECOGNITION**

The NDLTF records as donation revenue amounts received in the form of cash, promises or pledges to give. All donations are temporarily restricted for the purpose of the NDLTF and are not available for the support of general Library activities. Unconditional promises or pledges to give are recognized as pledges 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. CAPITAL ASSETS**

The financial statements do not include capital assets which are purchased for the Library

of Congress and other funds. Capital assets are expensed when purchased and ownership is transferred to the Library of Congress.

## F. INCOME TAX

The NDLTF 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.

## G. INVESTMENT POLICY

The Library of Congress Trust Fund Board determines the investment policy for the Library's trust funds. NDLTF are invested in a pool of U.S. Treasury market-based securities.

Investments in U.S. Treasury market-based securities are stated at cost, net of any unamortized premium or discount, which approximates market value at September 30, 1999.

## NOTE 2 - INVESTMENTS

The NDLTF invests in U.S. Treasury short-term securities. Investments consisted of the following:

Investment	Cost	Unamortized Premium	Unrealized Discount	Net Investment
NDL General Trust	\$14,524,945	\$288,353	\$172,830	\$ 14,640,468
Scott Trust *	578,633	11,541	6,917	583,257
Kellogg Trust	229,585	4,576	2,743	231,418
Ameritech Trust	392,160	7,816	4,685	395,291
McCormick Tribune Trust	1,067,419	21,275	12,752	1,075,942
Koch Foundation Trust	107,572	2,144	1,286	108,430
Mellon Foundation Trust	49,579	988	592	49,975
Microsoft Trust	15,119	301	181	15,239
Pew Charitable Trust	352,856	7,033	4,215	355,674
Hewlett Foundation Trust	298,281	5,945	3,563	300,663
Total Trusts	\$17,616,149	\$349,972	\$209,764	\$17,756,357

\* The investments are accrued in the General Trust Fund

### **NOTE 3 - PLEDGES**

Contributions of unconditional promises to give (pledges) to the NDLTF are recognized as 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 revenue. Outstanding pledges of \$6,806,707 at September 30, 1999, were discounted through fiscal year 2004 at a market discount rate and are included in the statement of financial position at their discounted present value of \$5,989,830. The amounts due in future years at their current discounted value are: \$3,017,530 in fiscal 2000; \$1,008,450 in fiscal 2001; \$423,250 in fiscal 2002; \$794,100 in fiscal 2003; and \$746,500 in fiscal 2004.

In fiscal year 1998, John W. Kluge, Chairman, James Madison Council pledged \$5,000,000 (in the form of a 2:1 matching gift for the first \$2,500,000 raised from other donors) to the NDLTF. The full net present value of the pledge was included in the total pledges of the NDLTF as of September 30, 1998. A provision of the \$5,000,000 pledge stipulated that the Library could use his gift or a portion of the \$5,000,000 pledge for support of the Library's Bicentennial celebration when pledges from other donors to the NDLTF exceeded the required matching amount of \$2,500,000. The Library has received enough pledges to the NDLTF as of September 30, 1999, to enact the provision so that \$3,000,000 of the pledge could be transferred to the James Madison Council Trust Fund for the Bicentennial celebration. The present value of the \$3,000,000 portion of the pledge is \$2,691,300 which has been transferred to the James Madison Council Trust Fund as of September 30, 1999.

### **NOTE 4 - NET ASSETS**

Net assets include undelivered orders of \$1,139,994 which are funds that have been obligated for goods and services not yet received for NDLTF operations and designated projects. All assets are temporarily restricted for the purpose of supporting the objectives of the National Digital Library Program.

### **NOTE 5 - DONATIONS**

The NDLTF donations exclude a grant from the Ford Foundation of \$500,000 in support of the National Digital Library received as a gift fund and an endowment from the Harissios Papamarkou Chair in Education Fund.

### **NOTE 6 - IMPUTED FINANCING FOR COST SUBSIDIES**

An adjustment of \$101,600 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 7 - RETIREMENT PLANS**

Employees of the NDLTF 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 1999, the NDLTF paid approximately \$204,055 to fund retirement benefits, excluding FICA Taxes.

## **NOTE 8 - RESEARCH AND DEVELOPMENT**

In fiscal 1999, the NDLTF paid \$250,000 for research and development.

## **NOTE 9 - EXPENSES BY FUNCTIONAL CLASSIFICATION**

As permitted by Financial Accounting Standards No. 117, the NDLTF has elected to present its operating expenses by natural classification in its Statement of Activities for the fiscal year ended September 30, 1999. The functional breakdown of these expenses is as follows:

National Digital Library Program	\$6,304,384
Fundraising	<u>194,043</u>
Total Expenses	<u>\$6,498,427</u>

**NATIONAL DIGITAL LIBRARY TRUST FUND**  
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**  
September 30, 1999

	<u>NDL General Trust</u>	<u>Scott Trust</u>	<u>Kellogg Trust</u>	<u>Ameritech Trust</u>	<u>McCormick Tribune Trust</u>	<u>Koch Foundation Trust</u>	<u>Mellon Foundation Trust</u>	<u>Microsoft Trust</u>	<u>Pew Charitable Trust</u>	<u>Hewlett Foundation Trust</u>	<u>Combined</u>	<u>Elimination</u>	<u>Consolidated</u>
<b>ASSETS</b>													
Cash	\$ 119,017	\$ 4,734	\$ 1,877	\$ 3,207	\$ 8,728	\$ 881	\$ 405	\$ 124	\$ 2,885	\$ 2,439	\$ 144,297	\$ -	\$ 144,297
Investments (Note 2)	14,640,468	583,257	231,418	395,291	1,075,942	108,430	49,975	15,239	355,674	300,663	17,756,357	-	17,756,357
Receivables:													
Pledges (Note 3)	5,413,203	263,655	-	-	-	-	-	-	312,972	-	5,989,830	-	5,989,830
Accrued Interest	149,189	-	-	-	-	-	-	-	-	-	149,189	-	149,189
Accounts	49	-	-	-	2,376	-	-	-	-	-	2,425	(2,376)	49
Total Receivables	5,562,441	263,655	-	-	2,376	-	-	-	312,972	-	6,141,444	(2,376)	6,139,068
Operating Materials & Supplies	115	-	-	10	-	-	-	-	-	-	125	-	125
<b>Total assets</b>	<b>\$ <u>20,322,041</u></b>	<b>\$ <u>851,646</u></b>	<b>\$ <u>233,295</u></b>	<b>\$ <u>398,508</u></b>	<b>\$ <u>1,087,046</u></b>	<b>\$ <u>109,311</u></b>	<b>\$ <u>50,380</u></b>	<b>\$ <u>15,363</u></b>	<b>\$ <u>671,531</u></b>	<b>\$ <u>303,102</u></b>	<b>\$ <u>24,042,223</u></b>	<b>\$ <u>(2,376)</u></b>	<b>\$ <u>24,039,847</u></b>
<b>LIABILITIES AND NET ASSETS</b>													
Accounts payable	\$ 49,312	\$ 67,610	\$ 21,508	\$ 12,824	\$ -	\$ -	\$ -	\$ -	\$ 32,189	\$ 135,263	\$ 318,706	\$ (2,376)	\$ 316,330
Accrued payroll and annual leave	128,094	16,305	-	-	-	-	-	-	-	-	144,399	-	144,399
<b>Total liabilities</b>	<b>177,406</b>	<b>83,915</b>	<b>21,508</b>	<b>12,824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,189</b>	<b>135,263</b>	<b>463,105</b>	<b>(2,376)</b>	<b>460,729</b>
<b>NET ASSETS (Note 4)</b>													
Temporarily restricted	20,144,635	767,731	211,787	385,684	1,087,046	109,311	50,380	15,363	639,342	167,839	23,579,118	-	23,579,118
<b>Total liabilities and net assets</b>	<b>\$ <u>20,322,041</u></b>	<b>\$ <u>851,646</u></b>	<b>\$ <u>233,295</u></b>	<b>\$ <u>398,508</u></b>	<b>\$ <u>1,087,046</u></b>	<b>\$ <u>109,311</u></b>	<b>\$ <u>50,380</u></b>	<b>\$ <u>15,363</u></b>	<b>\$ <u>671,531</u></b>	<b>\$ <u>303,102</u></b>	<b>\$ <u>24,042,223</u></b>	<b>\$ <u>(2,376)</u></b>	<b>\$ <u>24,039,847</u></b>

**NATIONAL DIGITAL LIBRARY TRUST FUND  
CONSOLIDATING SCHEDULE OF ACTIVITIES**

For the Fiscal Year Ended September 30, 1999

	<b>NDL General Trust</b>	<b>Scott Trust</b>	<b>Kellogg Trust</b>	<b>Ameritech Trust</b>	<b>McCormick Tribune Trust</b>	<b>Koch Foundation Trust</b>	<b>Mellon Foundation Trust</b>	<b>Microsoft Trust</b>	<b>Pew Charitable Trust</b>	<b>Hewlett Foundation Trust</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>													
<b>REVENUE</b>													
Imputed financing sources (Note 6)	\$ 83,871	\$ 17,730	\$ -	\$ -	\$ -	\$ -	\$ (1)	\$ -	\$ -	\$ -	\$ 101,600	\$ -	\$ 101,600
Interest	737,796	-	10,826	22,343	39,566	3,987	1,869	5,795	6,949	31,008	860,139	-	860,139
Net assets released from restrictions	2,694,564	725,467	319,048	420,877	(92,885)	(9,311)	(880)	234,637	344,691	832,161	5,468,369	68,319	5,536,688
<b>Total revenues</b>	<b>3,516,231</b>	<b>743,197</b>	<b>329,874</b>	<b>443,220</b>	<b>(53,319)</b>	<b>(5,324)</b>	<b>988</b>	<b>240,432</b>	<b>351,640</b>	<b>863,169</b>	<b>6,430,108</b>	<b>68,319</b>	<b>6,498,427</b>
<b>EXPENSES</b>													
Personnel costs	2,455,156	326,075	-	265	-	-	988	-	-	-	2,782,484	-	2,782,484
Digitizing and other services	446,652	-	269,598	12,531	-	-	-	33,335	355,852	774,773	1,892,741	-	1,892,741
Professional and consultant services	243,974	309,297	60,000	6,543	-	-	-	-	-	-	619,814	-	619,814
Awards to other archival institutions (Ameritech)	-	-	-	410,313	-	-	-	-	-	-	410,313	-	410,313
Non-capitalized equipment	15,492	10,318	-	-	-	-	-	208,833	-	84,174	318,817	-	318,817
Printing, publishing, and photoduplicating	113,952	636	-	3,758	-	-	-	-	-	-	118,346	-	118,346
Services of the Library and other agencies	72,793	8,760	-	-	-	-	-	-	-	-	81,553	-	81,553
Entertainment	56,714	4,537	-	887	-	-	-	-	-	-	62,138	-	62,138
Rental	-	59,000	-	-	-	-	-	-	-	-	59,000	-	59,000
Travel and transportation	30,185	16,286	-	8,499	-	-	-	61	-	-	55,031	-	55,031
Computer software	23,641	8,157	-	-	-	-	-	3,593	-	4,222	39,613	-	39,613
Office supplies	31,947	131	-	142	-	-	-	74	-	-	32,294	-	32,294
Tuition and training	20,331	-	276	-	-	-	-	-	-	-	20,607	-	20,607
Postage	3,591	-	-	282	-	-	-	-	-	-	3,873	-	3,873
Books and library materials	1,803	-	-	-	-	-	-	-	-	-	1,803	-	1,803
<b>Total expenses</b>	<b>3,516,231</b>	<b>743,197</b>	<b>329,874</b>	<b>443,220</b>	<b>-</b>	<b>-</b>	<b>988</b>	<b>245,896</b>	<b>355,852</b>	<b>863,169</b>	<b>6,498,427</b>	<b>-</b>	<b>6,498,427</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(53,319)</b>	<b>(5,324)</b>	<b>-</b>	<b>(5,464)</b>	<b>(4,212)</b>	<b>-</b>	<b>(68,319)</b>	<b>68,319</b>	<b>-</b>
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>													
Donations (Note 5)	189,796	50,536	-	21,650	-	-	-	-	25,659	1,000,000	1,287,641	-	1,287,641
Net assets released from restrictions	(2,694,564)	(725,467)	(319,048)	(420,877)	92,885	9,311	880	(234,637)	(344,691)	(832,161)	(5,468,369)	(68,319)	(5,536,688)
<b>Increase in Temporarily Restricted Net Assets</b>	<b>(2,504,768)</b>	<b>(674,931)</b>	<b>(319,048)</b>	<b>(399,227)</b>	<b>92,885</b>	<b>9,311</b>	<b>880</b>	<b>(234,637)</b>	<b>(319,032)</b>	<b>167,839</b>	<b>(4,180,728)</b>	<b>(68,319)</b>	<b>(4,249,047)</b>
<b>Increase in Net Assets</b>	<b>(2,504,768)</b>	<b>(674,931)</b>	<b>(319,048)</b>	<b>(399,227)</b>	<b>39,566</b>	<b>3,987</b>	<b>880</b>	<b>(240,101)</b>	<b>(323,244)</b>	<b>167,839</b>	<b>(4,249,047)</b>	<b>-</b>	<b>(4,249,047)</b>
<b>Net Assets at Beginning of Year</b>	<b>22,649,403</b>	<b>1,442,662</b>	<b>530,835</b>	<b>784,911</b>	<b>1,047,480</b>	<b>105,324</b>	<b>49,500</b>	<b>255,464</b>	<b>962,586</b>	<b>-</b>	<b>27,828,165</b>	<b>-</b>	<b>27,828,165</b>
<b>Net Assets at End of Year</b>	<b>\$ 20,144,635</b>	<b>\$ 767,731</b>	<b>\$ 211,787</b>	<b>\$ 385,684</b>	<b>\$ 1,087,046</b>	<b>\$ 109,311</b>	<b>\$ 50,380</b>	<b>\$ 15,363</b>	<b>\$ 639,342</b>	<b>\$ 167,839</b>	<b>\$ 23,579,118</b>	<b>\$ -</b>	<b>\$ 23,579,118</b>



## Independent Auditor's Report

To the Steering Committee  
James Madison National Council Fund

We have audited the James Madison National Council Fund (JMNC Fund) for the fiscal year 2000.

In our opinion:

- The financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles;

We found:

- No material weaknesses in internal control over financial reporting; and
- No reportable noncompliance with selected provisions of laws and regulations tested.

Each of these conclusions is described in more detail below. This report also discusses the scope of our work.

### Opinion On Financial Statements

We have audited the accompanying statement of financial position of the JMNC Fund as of September 30, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the JMNC Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. These 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 JMNC Fund as of September 30, 2000, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

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 JMNC 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.

### **Compliance**

As part of obtaining reasonable assurance about whether the JMNC 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*.

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

*Clifton Sunderson L.L.C.*

Calverton, Maryland  
January 12, 2001